

Lender Processing Services, Inc.

Form 10-K

March 01, 2011

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-K**

- p ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2010**
- o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the transition period from to**

**Commission File No. 001-34005**

**Lender Processing Services, Inc.**  
*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction  
of incorporation or organization)*

**601 Riverside Avenue  
Jacksonville, Florida**  
*(Address of principal executive offices)*

**26-1547801**  
*(I.R.S. Employer  
Identification No.)*

**32204**  
*(Zip Code)*

**(904) 854-5100**  
*(Registrant's telephone number, including area code)*

**Securities registered pursuant to Section 12(b) of the Act:**

**Title of Each Class:**

**Name of Each Exchange on Which Registered:**

Common Stock, par value \$0.0001 per share

New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act:**

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes  No

The aggregate market value of the registrant's common stock held by non-affiliates was \$2,914,909,057 based on the closing sale price of \$31.31 on June 30, 2010 as reported by the New York Stock Exchange. For the purposes of the foregoing sentence only, all directors and executive officers of the registrant were assumed to be affiliates. The number of shares outstanding of the registrant's common stock, \$0.0001 par value per share, was 88,861,779 as of January 31, 2011.

The information in Part III hereof is incorporated herein by reference to the registrant's Proxy Statement on Schedule 14A for its 2011 annual meeting of shareholders, to be filed within 120 days after the close of the fiscal year that is the subject of this Report.

**LENDER PROCESSING SERVICES, INC.  
2010 FORM 10-K ANNUAL REPORT**

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*Except as otherwise indicated or unless the context otherwise requires, all references to LPS, we, the Company, or the registrant are to Lender Processing Services, Inc., a Delaware corporation that was incorporated in December 2007 as a wholly-owned subsidiary of FIS, and its subsidiaries; all references to FIS, the former parent, or the holding company are to Fidelity National Information Services, Inc., a Georgia corporation formerly known as Certegy Inc., and its subsidiaries, that owned all of LPS's shares until July 2, 2008; all references to former FIS are to Fidelity National Information Services, Inc., a Delaware corporation, and its subsidiaries, prior to the merger of Certegy, Inc. and former FIS; all references to old FNF are to Fidelity National Financial, Inc., a Delaware corporation that owned a majority of former FIS's shares through November 9, 2006; and all references to FNF are to Fidelity National Financial, Inc. (formerly known as Fidelity National Title Group, Inc.), formerly a subsidiary of old FNF but now a stand-alone company.*

## **PART I**

### **Item 1. Business.**

#### **Overview**

We are a provider of integrated technology and services to the mortgage lending industry, with market leading positions in mortgage processing and default management services in the U.S. We conduct our operations through two reporting segments, Technology, Data and Analytics and Loan Transaction Services, which produced approximately 31% and 69%, respectively, of our revenues for the year ended December 31, 2010. A large number of financial institutions use our solutions. Our technology solutions include our mortgage processing system, which automates all areas of loan servicing, from loan setup and ongoing processing to customer service, accounting and reporting. Our technology solutions also include our Desktop system, which is a middleware enterprise workflow management application designed to streamline and automate business processes. Our loan transaction services include our default management services, which are used by mortgage lenders, servicers and other real estate professionals to reduce the expense of managing defaulted loans, and our loan facilitation services, which support most aspects of the closing of mortgage loan transactions by national lenders and loan servicers.

Prior to July 2, 2008, the Company was a wholly-owned subsidiary of FIS. In October 2007, the board of directors of FIS approved a plan of restructuring pursuant to which FIS would spin off its lender processing services segment to its shareholders in a tax free distribution. Pursuant to this plan of restructuring, on June 16, 2008, FIS contributed to us all of its interest in the assets, liabilities, businesses and employees related to FIS's lender processing services operations in exchange for shares of our common stock and \$1,585.0 million aggregate principal amount of our debt obligations. On July 2, 2008, FIS distributed to its shareholders a dividend of one-half share of our common stock, par value \$0.0001 per share, for each issued and outstanding share of FIS common stock held on June 24, 2008, which we refer to as the spin-off. Also on July 2, 2008, FIS exchanged 100% of our debt obligations for a like amount of FIS's existing Tranche B Term Loans issued under its Credit Agreement dated as of January 18, 2007. The spin-off was tax-free to FIS and its shareholders, and the debt-for-debt exchange undertaken in connection with the spin-off was tax-free to FIS.

#### **Information about Reporting Segments**

We offer a suite of solutions across the mortgage continuum, including technology applications, data, analytics, loan facilitation services and default management services. Our two reporting segments are Technology, Data and Analytics and Loan Transaction Services. We provide our solutions to many of the top 50 U.S. banks, as well as a number of other financial institutions, mortgage lenders, mortgage loan servicers, and other real estate professionals.

In our Technology, Data and Analytics segment, our principal technology solutions are software applications provided to mortgage lenders and other lending institutions, together with related support and services. Our technology solutions primarily consist of mortgage processing and workflow management software applications. The long term nature of most of our contracts in this business provides us with substantial recurring revenues. Our revenues from mortgage processing are generally based on the number of active mortgages on our mortgage servicing platform in a given period. Our other technology solutions include our Desktop application, which at

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present is deployed primarily to customers utilizing our default management services. We generally earn revenues from our Desktop application on a per transaction basis. Our data and analytics offerings primarily consist of our alternative valuation services, real estate and mortgage data, fraud detection solutions, modeling and forecasting and analytical tools. For 2010, the Technology, Data and Analytics segment generated \$762.6 million, or approximately 31%, of our consolidated revenues.

Our Loan Transaction Services segment consists principally of our loan facilitation services and our default management services. Our loan facilitation services consist primarily of settlement services, such as title agency and closing services, traditional appraisals and appraisal management services and other origination and real estate-related services. Each of these services is provided through a centralized delivery channel in accordance with a lender's specific requirements, regardless of the geographic location of the borrower or property. Our default management services, including title, posting and publication, property preservation, asset management and REO auction services and administrative support, are provided to national lenders, loan servicers and other real estate professionals to enable them to better manage some or all of the business processes necessary to take a loan and the underlying property through the default, foreclosure and disposition process. Our revenues from our Loan Transaction Services segment in 2010 were \$1,701.5 million, or approximately 69%, of our consolidated revenues.

In 2010, 2009 and 2008, all of our revenues were from sources within the U.S. and Puerto Rico.

### ***Technology, Data and Analytics***

Our Technology, Data and Analytics segment offers leading software systems and information solutions that facilitate and automate many of the business processes across the life cycle of a mortgage. Our customers use our technology and services to reduce their operating costs, improve their customer service and enhance the quality and consistency of various aspects of their mortgage servicing. We continually work with our customers to customize and integrate our software and services in order to assist them in achieving the value proposition that we offer to them.

*Technology.* We build all of our technology platforms to be scalable, highly secure, flexible, standards-based, and web connected. The primary applications and services of our technology businesses include:

*MSP.* Our mortgage servicing platform, or MSP, is an application that automates loan servicing, including loan setup and ongoing processing, customer service, accounting and reporting to the secondary mortgage market, and federal regulatory reporting. MSP serves as the core application through which our customers keep the primary records of their mortgage loans. MSP processes a wide range of loan products, including fixed-rate mortgages, adjustable-rate mortgages, construction loans and daily simple interest loans. Our capabilities on our MSP platform also include processing home equity lines of credit, or *HELOCs*. We believe MSP provides a more robust system for addressing *HELOCs* in areas such as loss mitigation, escrow tracking and regulatory reporting than the software systems that many banks have historically used to process these loans, which are based on credit card systems.

When a bank hires us to process its mortgage portfolio, we provide the hardware and the skilled personnel whose role is to keep the system up and running 24 hours a day, seven days a week; to keep the programs and interfaces running smoothly; and to make the system and application changes needed to upgrade the processes and ensure compliance with regulatory changes. We also undertake to perform the processing securely. The bank customer is responsible for all external communications and all keying or other data input, such as reflecting when checks or other payments are received from its loan customers.

*Desktop.* We have developed a web-based workflow information system, which we refer to as Desktop. The Desktop application can be used for managing and automating a wide range of different workflow processes. It



can also be used to organize images of paper documents within a particular file, to capture information from imaged documents, to manage invoices and to provide multiple users access to key data needed for various types of monitoring and process management.

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*Other software applications.* We offer various software applications and services that facilitate the origination of mortgage loans in the U.S. For example, we offer a loan origination software system, known as *Empower!*, which is used by banks, savings & loans and mortgage bankers to automate the loan origination process. Empower! provides credit bureau access and interfaces with MSP, automated underwriting systems used by Freddie Mac and Fannie Mae and various vendors providing settlement services. We also offer a software system, known as *SoftPro*, which is a real estate closing and title insurance production application used to create forms used in the closing of residential and commercial real estate transactions in the U.S. We also offer *RealEC*, a collaborative vendor network for the mortgage industry. The RealEC network enables lenders and their business partners to electronically connect, collaborate and automate their business processes and to electronically order and route settlement services.

We build all of our technology platforms to be scalable, highly secure, flexible, standards-based, and web connected. Standards and web connectivity ensure that our products are easy to use for our customers. Further, we can bring solutions to market quickly due to investments that we have made in integrating our technology.

*Data and analytics.* In addition to our technology applications, this segment provides data and analytics solutions that are used in different steps in the life cycle of a mortgage. Our primary data and analytics services are:

*Alternative valuation services.* We offer a broad range of property valuation services that allow our customers to match their risk of loss with alternative forms of property valuations, depending upon their needs and regulatory requirements. These include, among others, automated valuation models, broker price opinions, collateral risk scores, appraisal review services and valuation reconciliation services. To deliver these services, we utilize artificial intelligence software, detailed real estate statistical analysis, and modified physical property inspections.

*Data and information.* We acquire and aggregate real estate property and loan data on a national level and make such data available to our customers in a single database with a standard, normalized format. We also offer a number of value added services that enable our customers to utilize this data to assess risk, determine property values, track market performance, generate leads and mitigate risk.

*Fraud detection.* We also provide our customers with automated verification solutions. These services assist our customers to combat mortgage fraud and manage risk by quickly verifying applicant income and identity against Internal Revenue Service and Social Security Administration databases. We also provide employment verification services.

The following table sets forth our revenues for the last three years from our mortgage processing services and other services in this segment (in millions):

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Mortgage processing	\$ 402.7	\$ 387.9	\$ 334.2
Other Technology, Data and Analytics	359.9	319.6	231.5
Total segment revenues	\$ 762.6	\$ 707.5	\$ 565.7

***Loan Transaction Services***

Our Loan Transaction Services segment offers customized outsourced business process and information solutions. We work with our customers to set specific parameters regarding the services they require, and where practicable, provide a single point of contact with us for these services.

*Loan facilitation services.* This segment includes the following services:

*Settlement services.* We offer centralized title agency and closing services to our customers. Our title agency services include conducting title searches and preparing an abstract of title, reviewing the status of title in a title commitment, resolving any title exceptions, verifying the payment of existing loans secured by a subject property, verifying the amount of prorated expenses and either arranging for or issuing a title insurance policy by a title insurance underwriter. Our closing management services include preparing many of the documents used in connection with the closing. We work with independent closing agents that are

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trained to close loans in accordance with the lender's instructions, and independent notaries who are available to promptly assist with the closing. Due to the centralized nature of our title and closing operations, our settlement services are typically utilized in connection with refinancing transactions.

Appraisal services. We operate an appraisal management company, which contracts with independent appraisers to provide traditional appraisals. Traditional property appraisal services involve labor intensive inspections of the real property in question and of comparable properties in the same and similar neighborhoods, and typically take weeks to complete. These services are typically provided in connection with first mortgages.

Other origination services. We offer lenders real estate tax information and federal flood zone certifications in connection with the origination of new mortgage loans. We also offer monitoring services that will notify a lender of any change in flood zone status during the life of a loan.

Default management services. In addition to loan facilitation services, our Loan Transaction Services segment offers default management services. These services allow our customers to efficiently manage the business processes necessary to take a loan and the underlying real estate securing the loan through the default and foreclosure process. We offer a full spectrum of services relating to the management of defaulted loans, from initial property inspection through the eventual disposition of our customer's asset. Based on a customer's needs, our default management services can be provided individually or, more commonly, as part of a solution that integrates one or more of those services with our technology applications, such as the Desktop application. Our default management services include:

Foreclosure services. We offer lenders, servicers and their attorneys certain administrative and support services in connection with managing foreclosures. We also offer comprehensive posting and publication of foreclosure and auction notices, and conduct mandatory title searches, in each case as necessary to meet state statutory requirements for foreclosure.

Property inspection and preservation services. At the onset of a loan default, our services are designed to assess and preserve the value of the property securing the loan. For example, through independent inspectors we provide inspection services, including daily reports on vacant properties, occupancy inspections and disaster and insurance inspections. We also offer property preservation and maintenance services, such as lock changes, window replacement, lawn service and debris removal, through independent contractors.

Asset management, default title and settlement services. After a property has been foreclosed, we provide services that aid our customers in managing their real estate owned, or REO, properties, including property preservation field services. We also offer a variety of title and settlement services relating to the lender's ownership and eventual sale of REO properties. Finally, we offer advisory and management services, as well as a comprehensive REO auction solution, to facilitate a lender's REO sales.

The following table sets forth our revenues for the last three years from our loan facilitation and default management services in this segment (in millions):

	2010	2009	2008
Loan facilitation services	\$ 640.9	\$ 547.3	\$ 431.7
Default management services	1,060.6	1,137.3	851.8
Total segment revenues	\$ 1,701.5	\$ 1,684.6	\$ 1,283.5

***Corporate***

In addition to our two reporting segments, we also have a corporate segment, which includes costs and expenses not allocated to our two reporting segments as well as certain smaller investments and operations.

**Customers**

We have numerous customers in each category of service that we offer across the mortgage continuum. A significant focus of our marketing efforts is on the top 50 U.S. banks, although we also provide our services to a

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number of other financial institutions, mortgage lenders, mortgage loan servicers, attorneys, trustees and real estate professionals.

Our most significant customer relationships tend to be long-term in nature and we typically provide an extensive number of services to each customer. Because of the depth of these relationships, we derive a significant portion of our aggregate revenue from our largest customers. For example, in 2010, our largest customer, Wells Fargo Bank, N.A. ( Wells Fargo ), accounted for approximately 20.0% of our aggregate revenue and approximately 12.2% and 23.3% of the revenue from our Technology, Data and Analytics and Loan Transaction Services segments, respectively. JPMorgan Chase Bank, N.A. ( JPMorgan Chase ), our second largest customer, accounted for approximately 11.1% of our consolidated revenues and approximately 10.3% and 11.3% of the revenues of our Technology, Data and Analytics and Loan Transaction Services segments, respectively. Our five largest customers accounted for approximately 47.7% of our aggregate revenue and approximately 31.4% and 54.7% of the revenue of our Technology, Data and Analytics and Loan Transaction Services segments, respectively. However, these revenues in each case are spread across a range of services, and are subject to multiple separate contracts. Although the diversity of the services we provide to each of these customers reduces the risk that we would lose all of the revenues associated with any of these customers, a significant deterioration in our relationships with or the loss of any one or more of these customers could have a significant impact on our results of operations. See Risk Factors Our results of operations may be affected by the nature of our relationships with our largest customers or by our customers relationships with the government-sponsored enterprises.

## **Sales and Marketing**

### ***Sales Force***

We have teams of experienced sales personnel with subject matter expertise in particular services or in the needs of particular types of customers. A significant portion of our potential customers in each of our business lines is targeted via direct and/or indirect field sales, as well as inbound and outbound telemarketing efforts. Marketing activities include direct marketing, print advertising, media relations, public relations, tradeshow and convention activities, seminars and other targeted activities. As many of our customers use a single service, or a combination of services, our direct sales force also targets existing customers to promote cross-selling opportunities. These individuals also support the efforts of our Office of the Enterprise, discussed below.

### ***Office of the Enterprise***

The broad range of services we offer provides us with the opportunity to expand our sales to our existing customer base through cross-selling efforts. We have established a core team of senior managers to lead account management and cross-selling of the full range of our services to existing and potential customers at the top 50 U.S. lending institutions. The individuals who participate in this effort, which we coordinate through our Office of the Enterprise, spend a significant amount of their time on sales and marketing efforts.

As part of the Office of the Enterprise operations, we engage in strategic account reviews, during which our executives share their knowledge of clients and the market in order to determine the best sales approach on a client-by-client basis. The Office of the Enterprise provides us with a more cohesive sales force and reduces confusion over client responsibility. As a result, we have created an effective cross-sell culture within our organization.

## **Patents, Trademarks and Other Intellectual Property**

We rely on a combination of contractual restrictions, internal security practices, and copyright and trade secret law to establish and protect our software, technology, and expertise. Further, we have developed a number of brands that

have accumulated goodwill in the marketplace, and we rely on trademark law to protect our rights in that area. We intend to continue our policy of taking all measures we deem necessary to protect our copyright, trade secret and trademark rights.

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### **Competition**

A number of the businesses in which we engage are highly competitive. The businesses that make up our Technology, Data and Analytics segment compete with internal technology departments within financial institutions and with third party data processing or software development companies and data and analytics companies. Competitive factors in processing businesses include the quality of the technology-based application or service, application features and functions, ease of delivery and integration, ability of the provider to maintain, enhance and support the applications or services, and pricing. We believe that due to our integrated technology and economies of scale in the mortgage processing business, we have a competitive advantage in each of these categories.

With respect to our mortgage servicing platform, we compete with our customers' internal technology departments and other providers of similar systems. MSP is a leading mortgage processing software in the U.S.

Our Desktop application, which is a workflow information system that can be used to manage a range of different workflow processes, is currently the leading mortgage default management application in the U.S. We compete primarily with our customers' in-house technology departments for this type of business.

In our Data and Analytics businesses, we primarily compete with Corelogic, Inc., in-house capabilities and certain niche providers. Recently, the national credit bureaus have also begun providing competitive fraud detection offerings.

For the businesses that comprise our Loan Transaction Services segment, key competitive factors include quality of the service, convenience, speed of delivery, customer service and price. Our title and closing services businesses principally compete with large national title insurance underwriters. Our appraisal services businesses principally compete with First American Corporation, Fidelity National Financial, Inc. and small independent appraisal providers, as well as our customers' in-house appraisers. Due to a lack of publicly available information as to the national market for these services, we are unable to determine our overall competitive position in the national marketplace with respect to our loan facilitation services businesses. Our default management services businesses principally compete with in-house services performed directly by our customers and, to a lesser extent, other third party vendors that offer similar applications and services. Based in part on the range and quality of default management services we offer and our focus on technology and customer service, our default management business has grown significantly and we believe we are now one of the largest mortgage default management services providers in the U.S.

### **Research and Development**

Our research and development activities have related primarily to the design and development of our processing systems and related software applications. We expect to continue our practice of investing an appropriate level of resources to maintain, enhance and extend the functionality of our proprietary systems and existing software applications, to develop new and innovative software applications and systems in response to the needs of our customers, and to enhance the capabilities surrounding our infrastructure. We work with our customers to determine the appropriate timing and approach to introducing technology or infrastructure changes to our applications and services.

### **Government Regulation**

Various aspects of our businesses are subject to federal and state regulation. Our failure to comply with any applicable laws and regulations could result in restrictions on our ability to provide certain services, as well as the possible imposition of civil fines and criminal penalties.



As a provider of electronic data processing to financial institutions, such as banks and credit unions, we are subject to regulatory oversight and examination by the Federal Financial Institutions Examination Council, an interagency body of the Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and various other federal and state regulatory authorities. In addition, independent auditors annually review several of our operations to provide reports on internal controls for our customers' auditors and regulators. We also may be subject to possible review by state agencies that regulate banks in each state in which we conduct our electronic processing activities.

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Our financial institution clients are required to comply with various privacy regulations imposed under state and federal law, including the Gramm-Leach-Bliley Act. These regulations place restrictions on the use of non-public personal information. All financial institutions must disclose detailed privacy policies to their customers and offer them the opportunity to direct the financial institution not to share information with third parties. The regulations, however, permit financial institutions to share information with non-affiliated parties who perform services for the financial institutions. As a provider of services to financial institutions, we are required to comply with the privacy regulations and are generally bound by the same limitations on disclosure of the information received from our customers as apply to the financial institutions themselves.

The Real Estate Settlement Procedures Act, or RESPA, and related regulations generally prohibit the payment or receipt of fees or any other item of value for the referral of real estate-related settlement services. RESPA also prohibits fee shares or splits or unearned fees in connection with the provision of residential real estate settlement services, such as mortgage brokerage and real estate brokerage. Notwithstanding these prohibitions, RESPA permits payments for goods furnished or for services actually performed, so long as those payments bear a reasonable relationship to the market value of the goods or services provided. RESPA and related regulations may to some extent restrict our real estate-related businesses from entering into certain preferred alliance arrangements. The U.S. Department of Housing and Urban Development is responsible for enforcing RESPA.

Real estate appraisers are subject to regulation in most states, and some state appraisal boards have sought to prohibit our automated valuation applications. Courts have limited such prohibitions, in part on the ground of preemption by the federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989, but we cannot assure you that our valuation and appraisal services business will not be subject to further regulation. In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Wall Street Reform Act), which contains broad changes for many sectors of the financial services and lending industries, was signed into law. Among other things, the Wall Street Reform Act includes new requirements for appraisals and appraisal management companies. In addition, some states have enacted legislation requiring the registration of appraisal management companies, and numerous states have similar proposals pending. We monitor these proposals carefully, and we believe that our appraisal management operations will be able to comply with any new requirements.

The title agency and related services we provide are conducted through an affiliated group of underwritten title agencies. Our underwritten title agencies are generally required by various state laws to maintain specified levels of net worth and working capital, and are also required to obtain and maintain a license in each state in which they operate. The title agencies are also subject to regulation by the insurance or banking regulators in many jurisdictions. These regulators generally require, among other items, that our agents and certain employees maintain state licenses as well, and be appointed by a title insurer. We also own a title insurer which issues policies generated by our agency operations. This insurer is domiciled in New York and is therefore subject to regulation by the insurance regulatory authorities of that state. Among other things, the laws of New York require that (1) certain amounts of premiums earned by our insurance company be set aside as reserves, (2) only limited, defined amounts of any earnings of our insurance company are available as potential dividends, and (3) no one person may acquire 10% or more of our common stock without the approval of the New York insurance regulators.

The current economic downturn and troubled housing market have resulted in increased scrutiny of all parties involved in the mortgage industry by governmental authorities with the most recent focus being on those involved in the foreclosure process. This scrutiny has included federal and state governmental review of all aspects of the mortgage lending business, including an increased legislative and regulatory focus on consumer protection practices. The Wall Street Reform Act is one example of such legislation. It is too early to predict the final form that regulations or other rule-makings to implement the various requirements of the Wall Street Reform Act may take, what additional legislative or regulatory changes may be approved in the future, or whether those changes may require us to change our business practices, incur increased costs of compliance or adversely affect our results of operations.



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### **Employees**

As of December 31, 2010, we had approximately 8,700 employees, all of which were principally employed in the U.S. None of our workforce currently is unionized. We have not experienced any work stoppages, and we consider our relations with employees to be good.

### **Available Information**

We file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K with the Securities and Exchange Commission (the "SEC"). The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. We are an electronic filer, and the SEC maintains an Internet site at [www.sec.gov](http://www.sec.gov) that contains the reports, proxy and information statements and other information we file electronically. We make available, free of charge, through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after we file them with, or furnish them to, the SEC. Our Internet website address is <http://www.lpsvcs.com>. Our Corporate Governance Guidelines and Code of Business Conduct and Ethics are also available on our website and are available in print, free of charge, to any stockholder who mails a request to the Corporate Secretary, Lender Processing Services, Inc., 601 Riverside Avenue, Jacksonville, Florida 32204. Other corporate governance-related documents can be found on our website as well. However, the information found on our website is not part of this or any other report.

### **Item 1A. Risk Factors.**

In addition to the normal risks of business, we are subject to significant risks and uncertainties, including those listed below and others described elsewhere in this Annual Report on Form 10-K. Any of the risks described in this report could result in a significant adverse effect on our results of operations and financial condition.

#### ***The strength of the economy and the housing market affect demand for certain of our services.***

The level of real estate activity is primarily affected by real estate prices, the availability of funds for mortgage loans, mortgage interest rates and the overall state of the U.S. economy. The Mortgage Brokers Association ("MBA") estimates that the level of U.S. mortgage originations, by dollar volume, was \$1.5 trillion and \$2.0 trillion in 2010 and 2009, respectively. Of these total origination markets in 2010 and 2009, approximately 69% and 65%, respectively, were refinancing transactions. The revenues for our loan facilitation business are linked to the volume of origination transactions, and refinancing transactions in particular. There can be no assurance that the relative strength of the refinancing market will continue, especially in light of current market conditions, rising interest rates and tightened loan requirements, such as higher credit score and down payment requirements and additional fees. In the event that the level of origination transactions, particularly refinancing transactions, decreases, the results of our loan facilitation operations could be adversely affected. Further, in the event that the difficult economy or other factors lead to a decline in levels of home ownership and a reduction in the aggregate number of U.S. mortgage loans outstanding, our revenues from mortgage processing could be adversely affected.

In contrast, the weaker economy and housing market have tended to increase the volume of consumer mortgage defaults, which can favorably affect our default management operations, in which we service residential mortgage loans in default. It can also increase revenues from our Desktop solution, which is currently primarily used in connection with default management. As a result, our default management services have historically provided a natural hedge against the volatility of the real estate origination business and its resulting impact on our loan facilitation services. However, government legislation aimed at mitigating the current downturn in the housing market

by providing a loan modification program targeted at borrowers who are at risk of foreclosure because their incomes are not sufficient to make their mortgage payments, and lenders' efforts to comply with the requirements of that legislation and other foreclosure requirements, has adversely affected foreclosure volumes and the results of our default management operations. Although we believe that the reduction in foreclosure volumes is temporary, it is impossible to predict whether additional legislative or regulatory changes will be implemented or other actions may be taken by regulators or lenders that might cause a continuation of or further slow the current level of

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foreclosure volumes and adversely affect our future results. In the event that foreclosure volumes remain slow without a corresponding increase in the level of mortgage originations to increase revenues from our loan facilitation businesses, our revenues could be adversely affected.

***Our results of operations may be affected by the nature of our relationships with our largest customers or by our customers' relationships with the government-sponsored enterprises.***

A small number of customers have accounted for a significant portion of our revenues, and we expect that a limited number of customers will continue to represent a significant portion of our revenues for the foreseeable future. In 2010, our largest customer, Wells Fargo, accounted for approximately 20.0% of our aggregate revenue, and our second largest customer, JPMorgan Chase, accounted for approximately 11.1% of our aggregate revenue. Wells Fargo accounted for approximately 12.2% of the revenue from our Technology, Data and Analytics segment and approximately 23.3% of the revenue from our Loan Transaction Services segments in 2010, and JPMorgan Chase accounted for approximately 10.3% of the revenue from our Technology, Data and Analytics segment and approximately 11.3% of the revenue from our Loan Transaction Services segment in 2010. Our five largest customers accounted for approximately 47.7% of our aggregate revenue and approximately 31.4% and 54.7% of the revenue of our Technology, Data and Analytics and Loan Transaction Services segments, respectively. See Business Customers. The revenues of our five largest customers are spread across a range of services, and we protect ourselves by utilizing separate contracts for different services. However, our relationships with these and other large customers are important to our future operating results, and deterioration in any of those relationships could significantly reduce our revenues. In addition, by virtue of their significant relationships with us, these customers may be able to exert pressure on us with respect to the pricing of our services.

Our customers also have significant relationships with the Federal National Mortgage Association, or Fannie Mae, and the Federal Home Loan Mortgage Corporation, or Freddie Mac, which are government-sponsored enterprises ( GSE ) tasked with working with financial institutions to provide liquidity to the mortgage market. They do this by purchasing loans from the lenders either for cash or in exchange for a mortgage-backed security that comprises those loans and that, for a fee, carries the GSE's guarantee of timely payment of interest and principal. Because our customers service the loans owned by the GSEs, we provide services on many of those loans. As a result of these relationships, the GSEs have been able to implement changes to our pricing structure on certain services we provide related to default and foreclosure servicing. The GSEs or other governmental agencies may be able to exert similar pressure on the pricing of our services in the future, which could have a negative impact on our results of operations.

***Participants in the mortgage industry are under increased scrutiny, and efforts by the government to reform the mortgage industry or address the troubled mortgage market and the current economic environment could affect us.***

The current economic downturn and troubled housing market have resulted in increased scrutiny of all parties involved in the mortgage industry by governmental authorities, judges and the news media, among others, with the most recent focus being on those involved in the foreclosure process. This scrutiny has included federal and state governmental review of all aspects of the mortgage lending business, including an increased legislative and regulatory focus on consumer protection practices. An example of such legislation is the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Wall Street Reform Act ), which was signed into law in July 2010 and contains broad changes for many sectors of the financial services and lending industries. Among other things, the Wall Street Reform Act includes new requirements for appraisals and appraisal management companies. In addition, some states have enacted legislation requiring the registration of appraisal management companies, and numerous states have similar proposals pending. While we believe that we will be able to comply with the new federal and any new state requirements relating to appraisals going forward, it is too early to predict with certainty what impact those requirements may have on our business or the results of our operations. It is also too early to predict the final form that regulations and rule-makings to implement other requirements of the Wall Street Reform Act may take, what

additional legislative or regulatory changes may be approved in the future, or whether those changes may require us to change our business practices, incur increased costs of compliance and/or adversely affect our results of operations.

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Several pieces of legislation have been enacted to address the struggling mortgage market and the current economic downturn. For example, under the Homeowner Affordability and Stability Plan (the HASP ), many homeowners with an existing mortgage owned by Fannie Mae or Freddie Mac who would otherwise be unable to get a refinancing loan because of a loss in home value have been able to get a refinancing loan. In addition, the Home Affordable Modification Program ( HAMP ) under the HASP provides mortgage loan servicers with a set of standardized qualification guidelines for loan modifications aimed at reducing borrower monthly payments to affordable levels. Although HAMP has produced a large number of trial modifications, only a small portion of those modifications have been converted to permanent modifications to date. We cannot predict the ultimate impact that the government's initiatives under the HASP or other foreclosure relief and loan modification initiatives may have, or whether the government may take additional action to address the current housing market.

Notwithstanding the effects of existing government programs, we believe that the inventory of delinquent mortgage loans and loans in foreclosure continues to grow. We believe this growth is due in part to continued high delinquency rates and lenders focusing their resources on trying to make modifications under the HAMP program in compliance with its requirements and new government directives intended to increase its success, which slowed the pace of foreclosure starts in the first half of 2010. The timing for foreclosure starts and the pace of foreclosure proceedings further slowed in the fourth quarter of 2010 as a number of lenders once again slowed or in some cases temporarily halted foreclosures in order to confirm the compliance of their foreclosure procedures with applicable laws. We cannot predict whether any legislative or regulatory changes will be implemented as a result of recent issues reported by banks and servicers in connection with foreclosure actions, or whether the government may implement additional directives to increase the success of HAMP. Any such actions could cause a continuation of or further slow the current level of foreclosure volumes and adversely affect our future results.

***We may incur additional costs and expenses due to investigations or other actions relating to default procedures.***

As described in Item 3. Legal Proceedings, a number of governmental agencies have been conducting separate inquiries concerning various current and past business practices in our default operations, and others may do so in the future. These inquiries range from grand jury subpoenas for documents and/or testimony to informal requests for information. We have been cooperating and we have expressed our willingness to continue to fully cooperate with these inquiries. Due to the current scrutiny being placed on participants in the foreclosure process and the early stage of certain of these inquiries, it is difficult to predict the final outcome of these matters. There can be no assurance that we will not incur additional material costs and expenses, including but not limited to fines or penalties and legal costs, or be subject to other remedies, as a result of regulatory, legislative or administrative investigations or actions relating to default procedures. Also as described in Item 3. Legal Proceedings, we are a defendant in civil litigation relating to default matters, and could become subject to additional civil litigation. There can be no assurance that we will not incur material costs and expenses as a result of such litigation.

***If we fail to adapt our services to changes in technology or in the marketplace, or if our ongoing efforts to upgrade our technology are not successful, we could lose customers and have difficulty attracting new customers for our services.***

The markets for our services are characterized by constant technological changes, frequent introductions of new services and evolving industry standards. Our future success will be significantly affected by our ability to enhance our current services, and develop and introduce new services that address the increasingly sophisticated needs of our customers and their customers. These initiatives carry the risks associated with any new service development effort, including cost overruns, delays in delivery and performance issues. There can be no assurance that we will be successful in developing, marketing and selling new services that meet these changing demands, that we will not experience difficulties that could delay or prevent the successful development, introduction, and marketing of these services, or that our new services and their enhancements will adequately meet the demands of the marketplace and



achieve market acceptance.

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***We operate in a competitive business environment, and if we are unable to compete effectively our results of operations and financial condition may be adversely affected.***

The markets for our services are intensely competitive. Our competitors vary in size and in the scope and breadth of the services they offer. We compete for existing and new customers against both third parties and the in-house capabilities of our customers. Some of our competitors have substantial resources. In addition, we expect that the markets in which we compete will continue to attract new competitors and new technologies. There can be no assurance that we will be able to compete successfully against current or future competitors or that competitive pressures we face in the markets in which we operate will not materially adversely affect our business, financial condition and results of operations.

Further, because many of our larger potential customers have historically developed their key processing applications in-house and therefore view their system requirements from a make-versus-buy perspective, we often compete against our potential customers' in-house capacities. As a result, gaining new customers in our mortgage processing business can be difficult. For banks and other potential customers, switching from an internally designed system to an outside vendor, or from one vendor of mortgage processing services to a new vendor, is a significant undertaking. Many potential customers worry about potential disadvantages such as loss of accustomed functionality, increased costs and business disruption. As a result, potential customers often resist change. There can be no assurance that our strategies for overcoming potential customers' reluctance to change will be successful, and this resistance may adversely affect our growth.

***We have substantial indebtedness, which could have a negative impact on our financing options and liquidity position.***

We have approximately \$1,249.4 million of total debt outstanding, consisting of (i) a senior secured credit agreement divided into two tranches, a \$700 million Term Loan A under which \$385.0 million was outstanding at December 31, 2010, and a \$510 million Term Loan B under which \$497.3 million was outstanding at December 31, 2010, and (ii) \$367.0 million of senior unsecured notes outstanding at December 31, 2010. As of December 31, 2010, we also had additional borrowing capacity of approximately \$138.5 million available under our revolving credit facility. We also have other contractual commitments and contingent obligations. See Management's discussion and analysis of results of operations and financial condition - Contractual obligations.

This high level of debt could have important consequences to us, including the following:

this debt level makes us more vulnerable to economic downturns and adverse developments in our business, may cause us to have difficulty borrowing money in the future in excess of amounts available under our credit facility for working capital, capital expenditures, acquisitions or other purposes and may limit our ability to pursue other business opportunities and implement certain business strategies;

we will need to use a large portion of the money we earn to pay principal and interest on our debt, which will reduce the amount of money available to finance operations, acquisitions and other business activities and pay stockholder dividends;

approximately \$657.2 million of the debt currently bears interest at a floating rate, which exposes us to the risk of increased interest rates (for example, a one percent increase in interest rates would result in a \$1 million increase in our annual interest expense for every \$100 million of floating rate debt we incur, which may make it more difficult for us to service our debt);

while we have entered into various agreements limiting our exposure to higher interest rates and may enter into additional similar agreements in the future, any such agreements may not offer complete protection from this risk, and we remain subject to the risk that one or more of the counterparties to these agreements may fail to satisfy their obligations under such agreements; and

we have a higher level of debt than certain of our competitors, which may cause a competitive disadvantage and may reduce flexibility in responding to changing business and economic conditions, including increased competition.

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Despite our substantial indebtedness, we may be able to incur additional debt in the future. The terms of our credit facilities and the indenture governing the notes allow us to incur substantial amounts of additional debt, subject to certain limitations. If new debt is added to our current debt levels, the related risks we could face would be magnified.

***Our financing arrangements subject us to various restrictions that could limit our operating flexibility.***

The agreements governing our credit facilities and the indenture governing the notes each impose operating and financial restrictions on our activities. These restrictions include compliance with, or maintenance of, certain financial tests and ratios, including a minimum interest coverage ratio and maximum leverage ratio, and limit or prohibit our ability to, among other things:

- create, incur or assume any additional debt and issue preferred stock;
- create, incur or assume certain liens;
- redeem and/or prepay certain subordinated debt we might issue in the future;
- pay dividends on our stock or repurchase stock;
- make certain investments and acquisitions;
- enter into or permit to exist contractual limits on the ability of our subsidiaries to pay dividends to us;
- enter new lines of business;
- engage in consolidations, mergers and acquisitions;
- engage in specified sales of assets; and
- enter into transactions with affiliates.

These restrictions on our ability to operate our business could harm our business by, among other things, limiting our ability to take advantage of financing, merger and acquisition and other corporate opportunities.

***Security breaches or our own failure to comply with privacy regulations imposed on providers of services to financial institutions could harm our business by disrupting our delivery of services and damaging our reputation.***

As part of our business, we electronically receive, process, store and transmit sensitive business information of our customers. In addition, we collect personal consumer data, such as names and addresses, social security numbers, driver's license numbers and payment history records. Unauthorized access to our computer systems or databases could result in the theft or publication of confidential information or the deletion or modification of records or could otherwise cause interruptions in our operations. These concerns about security are increased when we transmit information over the Internet.

Additionally, as a provider of services to financial institutions, we are bound by the same limitations on disclosure of the information we receive from our customers as apply to the financial institutions themselves. If we fail to comply with these regulations, we could be exposed to suits for breach of contract or to governmental proceedings. In addition, if more restrictive privacy laws or rules are adopted in the future on the federal or state level, that could have

an adverse impact on us. Any inability to prevent security or privacy breaches could cause our existing customers to lose confidence in our systems and terminate their agreements with us, and could inhibit our ability to attract new customers.

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***If our applications or services are found to infringe the proprietary rights of others, we may be required to change our business practices and may also become subject to significant costs and monetary penalties.***

As our information technology applications and services develop, we may become increasingly subject to infringement claims. Any claims, whether with or without merit, could:

be expensive and time-consuming to defend;

cause us to cease making, licensing or using applications that incorporate the challenged intellectual property;

require us to redesign our applications, if feasible;

divert management's attention and resources; and

require us to enter into royalty or licensing agreements in order to obtain the right to use necessary technologies.

***If we are unable to successfully consummate and integrate acquisitions, our results of operations may be adversely affected.***

One of our strategies to grow our business is to opportunistically acquire complementary businesses and services. This strategy will depend on our ability to find suitable acquisitions and finance them on acceptable terms. We may require additional debt or equity financing for future acquisitions, and doing so will be made more difficult by our substantial debt. If we are unable to acquire suitable acquisition candidates, we may experience slower growth. Further, even if we successfully complete acquisitions, we will face challenges in integrating any acquired business. These challenges include eliminating redundant operations, facilities and systems, coordinating management and personnel, retaining key employees, managing different corporate cultures, and achieving cost reductions and cross-selling opportunities. Additionally, the acquisition and integration processes may disrupt our business and divert our resources.

***We have substantial investments in recorded goodwill as a result of prior acquisitions, and an economic downturn or troubled mortgage market could cause these investments to become impaired, requiring write-downs that would reduce our operating income.***

Goodwill was approximately \$1,160 million, or approximately 51% of our total assets, as of December 31, 2010. Current accounting rules require that goodwill be assessed for impairment at least annually or whenever changes in circumstances indicate that the carrying amount may not be recoverable from estimated future cash flows. Factors that may indicate the carrying value of our intangible assets, including goodwill, may not be recoverable include, but are not limited to, significant underperformance relative to historical or projected future operating results, a significant decline in our stock price and market capitalization, and negative industry or economic trends.

The results of our fiscal year 2010 annual assessment of the recoverability of goodwill indicated that the fair value of all of the Company's reporting units were in excess of the carrying value of those reporting units, and thus no goodwill impairment existed as of December 31, 2010. However, if the current economic downturn continues over a prolonged period or if the mortgage market continues to struggle, the carrying amount of our goodwill may no longer be recoverable, and we may be required to record an impairment charge, which would have a negative impact on our results of operations and financial condition. We will continue to monitor our market capitalization and the impact of the current economic downturn on our business to determine if there is an impairment of goodwill in future periods.



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***We have a long sales cycle for many of our technology solutions and if we fail to close sales after expending significant time and resources to do so, our business, financial condition, and results of operations may be adversely affected.***

The implementation of many of our technology solutions often involves significant capital commitments by our customers, particularly those with smaller operational scale. Potential customers generally commit significant resources to an evaluation of available technology solutions and require us to expend substantial time, effort and money educating them as to the value of our technology solutions and services. We incur substantial costs in order to obtain each new customer. We may expend significant funds and management resources during the sales cycle and ultimately fail to close the sale. Our sales cycle may be extended due to our customers' budgetary constraints or for other reasons. If we are unsuccessful in closing sales after expending significant funds and management resources or if we experience delays, it could have a material adverse effect on our business, financial condition and results of operations.

***We may experience defects, development delays, installation difficulties and system failures with respect to our technology solutions, which would harm our business and reputation and expose us to potential liability.***

Many of our services are based on sophisticated software and computing systems, and we may encounter delays when developing new technology solutions and services. Further, the technology solutions underlying our services have occasionally contained and may in the future contain undetected errors or defects when first introduced or when new versions are released. In addition, we may experience difficulties in installing or integrating our technologies on platforms used by our customers. Finally, our systems and operations could be exposed to damage or interruption from fire, natural disaster, power loss, telecommunications failure, unauthorized entry and computer viruses. Defects in our technology solutions, errors or delays in the processing of electronic transactions, or other difficulties could result in:

- interruption of business operations;
- delay in market acceptance;
- additional development and remediation costs;
- diversion of technical and other resources;
- loss of customers;
- negative publicity; or
- exposure to liability claims.

Any one or more of the foregoing occurrences could have a material adverse effect on our business, financial condition and results of operations. Although we attempt to limit our potential liability through disclaimers and limitation-of-liability provisions in our license and customer agreements, we cannot be certain that these measures will be successful in limiting our liability.

***Our historical financial information may not be indicative of our future results as a stand-alone company.***

The historical financial information we have included in this report for periods ending prior to July 2, 2008 may not reflect what our results of operations, financial condition and cash flows would have been had we been a stand-alone



company during the periods presented or be indicative of what our results of operations, financial condition and cash flows may be in the future now that we are a stand-alone company. This is primarily a result of the following factors:

our historical financial information for periods ending prior to July 2, 2008 does not reflect the debt and related interest expense that we incurred as part of the spin-off, including debt we incurred in order to issue debt obligations to FIS in partial consideration of FIS's contribution to us of our operations; and

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the historical financial information for periods ending prior to July 2, 2008 does not reflect the increased costs associated with being a stand-alone company, including changes in our cost structure, personnel needs, financing and operations of the contributed business as a result of the spin-off from FIS.

For additional information about the past financial performance of our business and the basis of the presentation of the historical financial statements, see our consolidated financial statements and the accompanying notes.

**Statement Regarding Forward-Looking Information**

The statements contained in this report or in our other documents or in oral presentations or other statements made by our management that are not purely historical are forward-looking statements, including statements regarding our expectations, hopes, intentions, or strategies regarding the future. These statements relate to, among other things, our future financial and operating results. In many cases, you can identify forward-looking statements by terminology such as may, will, should, expect, plan, anticipate, believe, estimate, predict, potential, or continue. These terms and other comparable terminology. Actual results could differ materially from those anticipated in these statements as a result of a number of factors, including, but not limited to:

our ability to adapt our services to changes in technology or the marketplace;

the impact of changes in the level of real estate activity (including among others, loan originations and foreclosures) on demand for certain of our services;

our ability to maintain and grow our relationships with our customers;

the effects of our substantial leverage on our ability to make acquisitions and invest in our business;

the level of scrutiny being placed on participants in the foreclosure process;

risks associated with federal and state inquiries and examinations currently underway or that may be commenced in the future with respect to our default management operations, and with civil litigation related to these matters;

changes to the laws, rules and regulations that regulate our businesses as a result of the current economic and financial environment;

changes in general economic, business and political conditions, including changes in the financial markets;

the impact of any potential defects, development delays, installation difficulties or system failures on our business and reputation;

risks associated with protecting information security and privacy; and

other risks detailed elsewhere in this Annual Report on Form 10-K.

We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

**Item 1B. *Unresolved Staff Comments.***

None.

**Table of Contents****Item 2. *Properties.***

Our corporate headquarters are located in Jacksonville, Florida, in an owned facility. FNF and FIS occupy and pay us rent for 145,682 square feet in this facility. We also own one facility in Sharon, Pennsylvania. We lease office space as follows:

<b>State</b>	<b>Number of Locations (1)</b>
California	17
Texas	12
Florida	8
Minnesota, Colorado	4
Georgia, Pennsylvania	3
Nevada, Arizona, North Carolina, Washington	2
Other	10

(1) Represents the number of locations in each state listed.

We have no leased properties outside the United States. We believe our properties are adequate for our business as presently conducted.

**Item 3. *Legal Proceedings.******Litigation***

In the ordinary course of business, we are involved in various pending and threatened litigation matters related to our operations, some of which include claims for punitive or exemplary damages. We believe that no actions, other than the matters listed below, depart from customary litigation incidental to our business. As background to the disclosure below, please note the following:

In these matters, plaintiffs seek a variety of remedies but do not make a specific statement as to the dollar amount of damages demanded. Due to these reasons and the early stage of these cases, it is not possible to make meaningful estimates of the amount or range of loss that could result from these matters at this time.

We review these matters on an ongoing basis and follow the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 450, *Contingencies*, when making accrual and disclosure decisions. When assessing reasonably possible and probable outcomes, we base our decision on our assessment of the ultimate outcome following all appeals.

We intend to vigorously defend all litigation matters that are brought against us, and we do not believe that their ultimate disposition will have a material adverse impact on our financial position or results of operations.

*Elizabeth Foster, et al vs. MERS, GMAC, Lender Processing Services, Inc., et al.*

We were named in a putative class action complaint filed in the United States District Court in the Western District of Kentucky, Louisville Division on September 28, 2010. Many of plaintiffs' allegations are neither directed at nor relate

to our business, including challenges to the securitization of loans, the use of assignments of mortgage, and the participation of Mortgage Electronic Registration System, or MERS, in the foreclosure process. Generally, plaintiffs make allegations concerning unlawful foreclosure, conspiracy and other matters relating to the handling of the plaintiffs' loans and the default process. The plaintiffs never served us with the complaint in this proceeding, and this case was voluntarily dismissed by the plaintiffs on February 3, 2011. A motion for sanctions against plaintiffs' counsel is pending.

*Thorne vs. Prommis Solution Holding Corporation, Lender Processing Services, Inc., et al.*

We were named in a putative class action adversary proceeding filed in the United States Bankruptcy Court for the Northern District of Mississippi on September 30, 2010. The complaint has a single plaintiff and alleges that the

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defendants engaged in unlawful fee splitting with the attorneys representing the creditor in the bankruptcy matter and the unauthorized practice of law. On October 28, 2010, we filed a motion for summary judgment seeking to dismiss the complaint.

*Knippel vs. Saxon Mortgage Services, Lender Processing Services, Inc., et al.*

We were named in a putative class action complaint filed in the United States District Court for the District of Nevada on October 5, 2010. The complaint had a single plaintiff and alleged unspecified violations of the Fair Debt Collection Practices Act, deceptive trade practices and unlawful fee splitting. This proceeding was dismissed with prejudice in January 2011.

*Securities Class Action Litigation*

On December 1, 2010, the Company was served with a complaint entitled *St. Clair Shores General Employees Retirement System v. Lender Processing Services, Inc., et al.*, which was filed in the United States District Court for the Middle District of Florida. The putative class action seeks damages for alleged violations of federal securities laws in connection with our disclosures relating to our default operations. On December 29, 2010, the court entered an order granting a temporary suspension of filing deadlines pending a determination of the lead plaintiff and lead counsel. On January 24, 2011 applications for lead plaintiff and counsel were filed. On January 11, 2011, a second putative class action complaint entitled *Southwest Ohio District Council of Carpenters vs. LPS, Inc., et al.*, was filed in the Middle District of Florida. The second complaint contains nearly identical allegations, and a motion to consolidate the two matters is pending.

*Shareholder Derivative Litigation*

On December 22, 2010, a complaint entitled *International Brotherhood of Electrical Workers Local 164 Pension Fund, derivatively on behalf of Lender Processing Services, Inc. v. Lee A. Kennedy, et al.*, was filed in the Court of Chancery in the State of Delaware. The complaint seeks recovery on behalf of the Company of damages from certain directors for purported violations of fiduciary duties and breaches of good faith in connection with our default operations. We filed a motion to dismiss this case on February 8, 2011. On January 21, 2011, a second complaint entitled *Michael Wheatley, derivatively on behalf of Lender Processing Services, Inc. v. Jeffrey S. Carbiener, et al.*, was filed in the Circuit Court of the 4th Judicial Circuit, in and for Duval County, Florida. The second complaint also seeks damages from our directors and certain current and former executives and contains nearly identical allegations.

***Regulatory Matters***

Due to the heavily regulated nature of the mortgage industry, from time to time we receive inquiries and requests for information from various state and federal regulatory agencies, including state attorneys general, the U.S. Department of Justice and other agencies, about various matters relating to our business. These inquiries take various forms, including informal or formal requests, reviews, investigations and subpoenas. We attempt to cooperate with all such inquiries.

At present, there is increased scrutiny of all parties involved in the mortgage industry by governmental authorities, judges and the news media, among others. Like others, we have responded to or are currently responding to inquiries from multiple governmental agencies. These inquiries range from informal requests for information to grand jury subpoenas. In 2010, we learned that the U.S. Attorney's office for the Middle District of Florida and the Florida Attorney General had begun conducting separate inquiries concerning certain business processes in our default operations. Since then, other federal and state authorities, including various regulatory agencies, and other state attorneys general, have initiated inquiries about these matters, and additional agencies may do so in the future. The

business processes that these authorities are considering include the former document preparation, verification, signing and notarization practices of certain of our default operations and our relationships with foreclosure attorneys. We have discovered, during our own internal reviews, potential issues related to some of these practices which may cause the validity of certain documents used in foreclosure proceedings to be challenged. However, we are not aware of any person who was wrongfully foreclosed upon as a result of a potential error in the processes used by our employees. We have been cooperating and we have expressed our willingness to continue to fully cooperate with all such inquiries.

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We continue to believe that the outcome of the current inquiries will not have a material adverse impact on our business or results of operations, although it is difficult to predict the final outcome of these matters due, among other things, to the early stage of many of these inquiries. As a result, there can be no assurance that we will not incur additional material costs and expenses, including but not limited to fines or penalties and legal costs, or be subject to other remedies, as a result of regulatory, legislative or administrative investigations or actions relating to default procedures.

**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Our common stock trades on the New York Stock Exchange under the ticker symbol LPS. As of January 31, 2011, there were approximately 8,400 registered holders of our common stock. The table set forth below provides the high and low sales prices of our common stock and the cash dividends declared per share of common stock during the periods indicated.

	<b>High</b>	<b>Low</b>	<b>Dividend</b>
<b>2010</b>			
First Quarter	\$ 43.09	\$ 37.03	\$ 0.10
Second Quarter	\$ 39.87	\$ 30.81	\$ 0.10
Third Quarter	\$ 34.88	\$ 29.22	\$ 0.10
Fourth Quarter	\$ 33.65	\$ 25.50	\$ 0.10

	<b>High</b>	<b>Low</b>	<b>Dividend</b>
<b>2009</b>			
First Quarter	\$ 31.50	\$ 24.21	\$ 0.10
Second Quarter	\$ 33.99	\$ 20.81	\$ 0.10
Third Quarter	\$ 39.05	\$ 26.55	\$ 0.10
Fourth Quarter	\$ 44.38	\$ 37.51	\$ 0.10

We currently pay a dividend of \$0.10 per common share on a quarterly basis, and expect to continue to do so in the future. The declaration and payment of future dividends is at the discretion of the Board of Directors, and depends on, among other things, our investment policy and opportunities, results of operations, financial condition, cash requirements, future prospects, and other factors that may be considered relevant by our Board of Directors, including legal and contractual restrictions. Additionally, the payment of cash dividends may be limited by the terms of our debt agreements. A regular quarterly dividend of \$0.10 per common share is payable on March 17, 2011 to stockholders of record as of the close of business on March 3, 2011.

The following table provides information as of December 31, 2010, about our common stock which may be issued under our equity compensation plans:

**Number of Securities  
Remaining**



<b>Plan Category</b>	<b>Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights(a)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</b>	<b>Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</b>
Equity compensation plans approved by security holders	7,719,442	\$ 33.06	2,719,428
Equity compensation plans not approved by security holders			
<b>Total</b>	7,719,442		2,719,428

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On July 22, 2010, our Board of Directors authorized us to repurchase shares of our common stock and/or our senior notes in an amount not to exceed \$150.0 million. In addition, on October 28, 2010, our Board of Directors approved a new authorization for us to repurchase up to \$250.0 million of our common stock and/or our senior notes. This new authorization is effective through December 31, 2011. The October 28, 2010 authorization replaced the previous authorization and subsumed all amounts remaining available thereunder. Our ability to repurchase shares of common stock or senior notes is subject to restrictions contained in our senior secured credit agreement and in the indenture governing our senior unsecured notes.

The following table summarizes our repurchase activity under our repurchase authorization in each month of the fourth quarter of 2010:

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans</b>	<b>Approximate Dollar Value (In millions) of Shares that May Yet Be Purchased Under the Plans (1) (2)</b>
October 1 to October 31, 2010		\$		\$ 250.0
November 1 to November 30, 2010	1,906,000	\$ 30.69	1,906,000	\$ 191.5
December 1 to December 31, 2010	668,245	\$ 30.02	668,245	\$ 171.4
<b>Total</b>	<b>2,574,245</b>		<b>2,574,245</b>	

(1) Reflects amount remaining available under the \$250.0 million authorization approved by our Board of Directors on October 28, 2010.

(2) As of the last day of the respective month.

**Table of Contents****Stock Performance Graph**

This graph depicts the Company's cumulative total shareholder returns relative to the performance of the Standard & Poor's Midcap 400 Index and the Standard & Poor's 1500 Data Processing & Outsourced Services Index for the period commencing on July 3, 2008, the first trading day of the Company's stock, and ending on December 31, 2010, the last trading day of fiscal year 2010. The graph assumes \$100 invested at the closing price of the Company's common stock on the New York Stock Exchange on July 3, 2008 and each index on June 30, 2008, and assumes that all dividends were reinvested on the date paid.

	7/3/08	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	9/30/10
c.	100.00	97.78	94.74	98.85	89.99	124.02	132.44	123.27	102.54	109.20
cap	100.00	89.13	66.36	60.61	71.98	86.36	91.16	99.45	89.92	101.71
	100.00	89.34	72.59	73.13	78.79	91.40	103.60	104.01	87.17	95.65

**Item 6. Selected Financial Data.**

The following table presents our selected historical financial data and should be read in conjunction with Item 7.

Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8. Financial Statements and Supplementary Data included elsewhere in this Annual Report on Form 10-K. Our financial information may not be indicative of our future performance and does not necessarily reflect what our financial position and results of operations would have been had we operated as a separate, stand-alone entity for periods ending prior to July 2, 2008 that are presented, including changes that occurred in our operations and capitalization as a result of our spin-off from FIS.

The consolidated statement of earnings data for the years ended December 31, 2010 and December 31, 2009 and the consolidated balance sheet data as of December 31, 2010 and December 31, 2009 is derived from our audited financial statements included in this report. Except with respect to pro forma shares and per share amounts, the consolidated statement of earnings data for the years ended December 31, 2008 is derived from our audited financial statements included in this report. The combined statement of earnings data for the year ended December 31, 2007 and December 31, 2006 and the combined balance sheet data as of December 31, 2008, December 31, 2007 and December 31, 2006 are derived from our audited financial statements not included in this report. The unaudited financial statements have been prepared on the same basis as the audited financial statements

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and, in the opinion of our management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth in this report.

<b>Statement of Earnings Data:</b>	<b>2010</b>	<b>Year Ended December 31,</b>			<b>2006</b>
		<b>2009</b>	<b>2008</b>	<b>2007</b>	
		<b>(In thousands, except per share amounts)</b>			
<b>Processing and services revenues</b>	\$ 2,456,335	\$ 2,370,548	\$ 1,837,590	\$ 1,638,622	\$ 1,404,839
Net earnings attributable to Lender Processing Services, Inc.	302,344	275,729	230,888		