

12-7-05 Andrea - This needs enforcement, especially for the lack of protection of consumers' personal financial data. Probably Order to Show Cause for license revocation

STATE OF NEW HAMPSHIRE
Banking Department

Interoffice Memorandum

Signature redacted. Signed by:

Mary Jurta

To: Mary Jurta

From: Kim Griffin *KD*

Subject: Financial Resources & Assistance of the Lakes Region Inc, license #5902-MB, #5903-MHL, #6082-SM

Date: November 16, 2005

An examination was conducted of the above licensee, beginning on October 11, 2004. There were numerous observations brought forth by the Examiner in Charge, including the following:

- ② 1. Pursuant to the NH Code of Administrative Rules, Part Ban 2407. The licensee failed to notify the department of an investigation by another state agency, and a civil suit, that purportedly impacted the licensee's ability to provide financial statements.
- 2. Pursuant to RSA 397-A:10, I, the licensee continually uses a name that has not been authorized for use. This observation was brought forth in the previous examination also.
- 3. Pursuant to RSA 397-A:13, The financial statements that were provided were not complete.
- ③ 4. Pursuant to RSA 397-A:12, I, "review of randomly sampled mortgage loan files revealed a letter addressed to Mr. Scott Ferah from one of its correspondent lenders, First Franklin Financial, claiming that misrepresentations were made relative to a borrower's income as evidenced in documentation FR&A provided to First Franklin Financial. As a consequence, First Franklin Financial asked FR&A to refinance or pay off the loan within 30 days of the date of the letter (12/15/2003)." FR&A was requested to provide a full written explanation of the circumstances surrounding its handling of, response to and ultimate resolution of the misrepresentations First Franklin Financial references in its letter to the licensee. FR&A did not respond to the request.
- ① 5. Pursuant to RSA 397-A:12, IV, "the examination of FR&A included a review of the licensee's handling, custody and disposal of any sensitive documents and information pertaining to its consumer credit activities. The licensee provided an oral presentation as to how sensitive documents and information was collected, retained and disposed of. The banking department examiner in charge was advised that the process of disposing of sensitive documentation required the physical shredding of such documents by two designated employees using a machine at FR&A for that purpose.
To verify the disposal process of sensitive consumer mortgage documentation, the examiners, with the licensee's permission, took custody of two large plastic bags of trash picked from a dumpster used by the licensee to dispose of waste material from the FR&A office. The bags were picked at random from the dumpster located to the rear of FR&A's licensed location in Meredith, NH. Subsequent analysis of the contents of the two trash bags revealed dozens of sensitive documents containing confidential consumer information that had not been shredded or otherwise disposed of properly. The documents included consumer credit reports, tax returns and completed uniform residential

Exhibit to:

loan applications from consumers in New Hampshire and other states in which FR&A operates as a mortgage licensee.”

The above are the more serious observations noted. The final Report of Examination was submitted to the licensee on September 21, 2005, and received on September 26, 2005. The licensee has not responded to the report.

Therefore, pursuant to RSA 397-A: 17, I, (a), (b), (e), (g), (k), (l), and (m), it is my recommendation that a show cause hearing is scheduled concerning the observations noted.

Exhibit to:

Appendix A Page A-11
Paragraph 2