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Regulatory Specialist

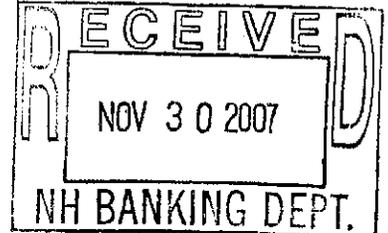
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November 30, 2007

HAND DELIVERED

Kimothy C. Griffin
Consumer Credit Administrator
New Hampshire Banking Department
64B Old Suncook Road
Concord, New Hampshire 03301



Re: Financial Resources & Assistance of the Lakes Region, Inc. (5902-MB)
Response to Examination Report (Exam Date: June 11, 2007)

Dear Mr. Griffin:

As requested, on behalf of our client, Financial Resources & Assistance of the Lakes Region, Inc. ("FR&A"), we are hereby responding to the Report of Examination noted above as provided to FR&A with cover letter dated October 5, 2007 and received by FR&A on October 9, 2007. We appreciate your extension of our due date to November 30 for response.

Please note the following responses to each of the noted comments and observations in the Report of Examination:

1. Change in Name; Ownership; Location (RSA 397-A:10, III & IV)

FR&A is duly notified of these licensing requirements with respect to a branch; FR&A provided the required notice on June 15, 2007, and it has no other branch locations within New Hampshire.

2. License Surrender (RSA 397-A:10-a, I, (a))

FR&A surrendered the original license when it provided notice on June 15, 2007.

3. Change in Name; Ownership; Location (RSA 397-A:10, I)

FR&A has made a concerted effort to ensure that it is using its proper corporate name in all circumstances. Additionally, it is currently working to change its corporate name (to Financial Resources National, Inc.) which we anticipate will

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be effective 1/1/2008. Notice of such a name change will be provided to the New Hampshire Banking Department.

The web site was revised and corrected on June 13, 2007.

The signage for the closed Manchester branch has been removed and said removal has been separately confirmed by Scott Schubert of Metropolis Property Management Group, Inc.

The telephone directories have been contacted and correction of the name has been requested.

Flyers and marketing materials bearing the incorrect corporate name have been destroyed or corrected to reflect the proper legal name of the company. Generally, prospective customers are referred to the company's web site, www.franational.com for marketing information. All email signatures, business cards and letterhead reflect the proper legal name of the company

The contract with CBC Innovis, Inc. has been revised and amended to reflect the proper legal name of the company.

Loan documents and disclosure forms are limited in field length and cannot accommodate the entire legal name of the company. The anticipate change to its legal name should solve this problem.

All loan documents will be prepared using the complete legal name of the company.

The company does not intend to use a trade name in New Hampshire, and therefore, will not be providing any filing relating to the use of a trade name to the New Hampshire Banking Department.

4. Change in Name; Ownership; Location (RSA 397-A:10, IV)

Confirmation of the status of this issue has been requested and will be forwarded to the Department when received. We believe that there are no outstanding shares and that the discrepancy is purely a clerical error.

5. Record Keeping (RSA 397-A:11, I)

The control list for inactive loan applications (withdrawn or denied) is maintained in a separate stand-alone data base which is used for tracking and to ensure proper record retention and destruction (in compliance with the state 3-year record retention requirement). The adverse action (withdrawal or denial) notice date is used as the start of the 3-year record retention period. Files will be

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shredded after the 3-year period passes. There is also a quality control review of the information that is input to this control list data base to ensure all information is correct.

6. Regulation B and the Equal Credit Opportunity Act – 12 CFR 202.9(a) and 202.12(b). (RSA 397-A:2, III)

Adverse Action (AA) notices have been sent to all withdrawn or denied loan applications as of June 11, 2007. The automated underwriting program, Calyx Point PDS, is now set up to track all files and to indicate when an Adverse Action notice must be sent. When the AA notice is produced (either by FR&A or by the lender), a copy is placed in the loan file. There is a quality control review to ensure the notice is correct and provided when required.

7. Reports (RSA 397-A:13, V)

- a. A copy of the 2006 Federal Tax return is attached.
- b. FR&A does not prepare quarterly financial statements and does not choose to pay its CPA to prepare quarterly financial statements unless there is a regulatory requirement to do so.
- c. The preparation and retention of work papers and source documents to support the filing of the Annual Report will be reformatted to include the information that was missing from the previous work papers.
- d. Schedules A and B were provided on June 15, 2007.
- e. The format of the inactive loan list has been changed to include "denied" or "withdrawn" labels. The list of active loans is being revised to reflect the format that is currently desired by the NH Banking Department. A state-specific list can be generated at any time. Additional quality-controls have been put in place to ensure that the data in the data base is accurate.

The active and inactive loans lists now are subject to a quality control review to ensure that information is properly entered (to avoid, for example, inputting Richmond, NH instead of Richmond, VA).

A list of loans originated and funded by the licensee was provided on June 15, 2007.

#12 on the Officer Questionnaire: All forms of verification of income for stated-income loans will be included in the file.

#42 on the Officer Questionnaire: Reconciliations of bank statements are now being completed every 3 months to ensure the correction of errors and discrepancies.

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#49 on the Officer Questionnaire: When FR&A is acting as loan broker, the title/loan closing agent is contracting with the lender. When FR&A is acting in its capacity as lender, then FR&A most commonly uses the Law Office of Gould & Burke as its title/loan closing agent. Michael Burke, on behalf of the Law Office of Gould & Burke, has signed a contract which addresses consumer information safeguards and related issues. See copy attached.

#53 of the Officer Questionnaire: FR&A is re-writing its company manual to reflect strong instructions to loan officers and other staff members regarding the processing and disclosure of non-traditional mortgages. FR&A has also implemented a Tangible Net Benefit form to help ensure that the loan product is a good option for the borrower. Documentation verifying the borrower's ability to repay (debt to income ratios) is included on the underwriting sheet. The documentation of compliance with the Commissioner's Order has been added to the document checklist which is used for quality control review.

8. Policy Standards for Safeguarding Consumer Information – 16 CFR 314. (RSA 397-A:2, III)

The Information Security Policy has been revised to contemplate the monitoring of service providers which serve in the capacity as closing agent for FR&A. Additionally, the Information Security Policy will be evaluated and adjustments to the policy will be performed at least annually.

9. NH Banking Commissioner's Order re Non-Traditional Mortgage Products – 11/13/2006. (RSA 397-A:2, III)

See the response above to issue 7 (#53).

10. Registration; Fees; Terms; Renewal (RSA 397-B, I and 397-B:4, I(a))

When FR&A acted as lender for 1 loan in 2005 and for 5 loans in 2006, it erroneously classified those loans as "commercial." If new consumer loans (1-4 family, owner occupied) are closed by FR&A as lender, it is likely that FR&A (as a licensed mortgage lender) will service those loans itself.

11. Record Keeping (RSA 397-A:11, I)

A variety of loan documents were missing from files (although several of the documents that were noted to be missing were also discovered to actually be in the files). FR&A has enhanced its quality control review process with a checklist to ensure that all required documents are either in file or are replaced in the file before filing.

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12. Balloon Payment Disclosure Statement (BAN 2504.01)

FR&A has enhanced its quality control review process with a checklist to ensure that all required documents are provided and either retained in file or are replaced in the file before filing.

13. GFE YSP Disclosure - RESPA – 24 CFR 3500.7(c) and Appendix A, B & C. (RSA 397-A:2, III)

Yield spread premiums will be disclosed as a dollar range on all GFEs going forward. Additionally, line #801 will not be used to disclose fees paid to the broker (only fees paid to the lender).

14. GFE YSP Disclosure - RESPA – 24 CFR 3500.2, 3500.8 and Appendix A (RSA 397-A:2, III)

The quality control review will compare the (most recent) GFE to the closing HUD-1 to ensure that all fees that collected are properly disclosed on the GFE.

15. HUD-1 Broker Fee Disclosure - RESPA – 24 CFR 3500.2, 3500.8 and Appendix A (RSA 397-A:2, III)

All broker fees are now being disclosed on line #808; only lender fees will be disclosed on lines #801 or 802.

16. HUD-1 Restricted Lines and Fee Disclosure - RESPA – 24 CFR 3500.8 and Appendix A, B & C (RSA 397-A:2, III)

FR&A has relayed this concern to its closing agent. The quality control review will also ensure that fees are properly disclosed as noted in Appendix A to RESPA.

17. HUD – 1 Disclosure of Appraisal Fee paid outside of closing - RESPA – 24 CFR 3500.7(a)(2), 3500.8 and Appendix A (RSA 397-A:2, III)

The proper completion of the HUD-1 form has been reviewed with our closing agent. Appraisals are customarily paid for by the borrower at the door when the appraiser inspects the property, and therefore noted as "paid outside closing" on the HUD-1.

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18. HUD-1 Disclosure of Ultimate Recipient of Funds - RESPA – 24 CFR 3500.8 and Appendix A, Section L (RSA 397-A:2, III)

To ensure that all ultimate third party recipients are properly disclosed on the HUD-1 form, the Residential Managing Officer reviews the HUD-1 form for accuracy prior to closing.

19. GFE & HUD-1 Invoices to support third party fees - RESPA – 24 CFR 3500.14

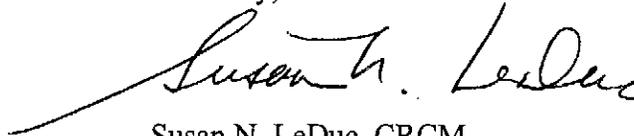
As part of the quality control review, all third party fees will be matched with the invoices in file to ensure they are accurately disclosed and collected. Up-charging of third party fees is prohibited.

20. Relationship Disclosure Statement - RESPA – 24 CFR 3500.7(e)

The Calyx software provides a GFE Provider Relationship form for all involved in the process of the loans. This form will be used to disclose our relationship with Gould & Burke, Korkosz Appraisal Services, and CBC Innovis.

We trust that this responds to your request. If you have any questions, please contact me at 603-545-3617.

Sincerely,



Susan N. LeDuc, CRCM

Enclosures

cc: Scott D. Farah (letter only; no enclosures)

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FINANCIAL RESOURCES

15 Northview Dr. • P.O. Box 1158 • Meredith, NH 03253
603-279-1133 • Fax (603) 279-5912
www.franh.com

Incomplete

(110)

*Also see response
to question #445
for NH*

*see response to
question #44
for originators*

EMPLOYEES

- Scott Farah - President/Owner sfarah@franh.com
- ✓ Rhonda Vappi - Office Manager rvappi@franh.com
- ✓ Nancy O'Connor - Residential Underwriter noconnor@franh.com
- ✓ Melissa Colpitts - Residential Loan Processor mcolpitts@franh.com
- ✓ Alexis Roshia - Commercial Loan Processor aroshia@franh.com
- ✓ Samantha Sargent - Administrative Assistant ssargent@franh.com
- ✓ Marla Neily - Executive Assistant to Jared King mneily@franh.com
- ? — James Escoto - Assistant to Jared King jescoto@franh.com
- ? — Katie Wood - Assistant to Dave Dexter kwood@franh.com
- ✓ Lindsey Smith - Alternative Construction lsmith@franh.com
- ? — Kristen Lavigne - Assistant to Lindsay Smith klavigne@franh.com
- ✓ Jonathan Labbe - Alternative Construction jlabb@franh.com
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- ✓ Rich Rollock - Administrative Assistant rrollock@franh.com
- ? — Liam Jewell - Marketing ljewell@franh.com
- ✓ Jessie Whalen - Processing Assistant jwhalen@franh.com
- ✓ Christina LeDuc - Receptionist clduc@franh.com

LOAN ORIGINATORS

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...and Assistance of the Lakes Region, Inc.
Specializing in Residential & Business Real Estate Financing

Exhibit to: