State of New Hampshire
Office of the Executive Council

To: Peter

From: RAYMOND S. BURTON, *Executive Councilor*
R.F.D. #1
Woodsville, New Hampshire 03785
Telephone 603-747-3662
OR
603-271-3632
E-Mail: rburton@gov.state.nh.us
Web Page Address:
www.state.nh.us/council/execouncil.html

Date: 1/15/05

Would you
have staff
review this and
respond? — if
appropriate?
Thx [redacted]

Signature redacted. Signed by:

Raymond S. Burton

Exhibit to:

Appendix A Page A-2
Paragraph 1

RECEIVED
JAN 19 2005
NH BANKING DEPT.

[redacted]

January 6, 2005

The Honorable Raymond Burton
338 River Road
Bath, New Hampshire 03740

Dear Councilor Burton;

My name is [redacted] Former owner of [redacted] in [redacted] NH. In January of 2004 you attended our grand opening and presented my wife and myself with an autographed "State Red Book" which I still have and treasure. During your visit, you offered your help if I ever needed anything. At the time I never felt I would need to impose upon your generous offer but I find myself in a situation that I am hoping you can assist with or at least you may be able to recommend a course of action. I would not ask this of you if it wasn't extremely important and if I didn't feel it warranted my requesting of your time and effort, which I very much appreciate. I realize your time is valuable so I will try to keep this letter brief and still try to get in all the key points.

I believe I was treated either illegally or at the very least unethically by a mortgage broker and/or mortgage company. Financial Resources, A New Hampshire Mortgage broker combined with [redacted] an out of State Mortgage company were the lenders in the purchase of [redacted] Inn. If I felt in any way that this was because of my inability to manage the business aspect of [redacted] I would not burden you with this. It is quite the contrary.

My wife and myself decided to purchase an [redacted] as a retirement investment and lifestyle change. We decided on the [redacted] Inn because of its location and potential. The price was within our reach because the previous owners had relatively closed it down for 5 years and it had no "history". I have a marketing background so I knew with some effort and working capital which I had in the equity of my home I could make it work. We discussed the purchase between ourselves for several months and because the finances would be tight, I did extensive forecasts covering any possible scenarios. We came to the decision to purchase it. I approached a New Hampshire mortgage company with my plans.

I owned a home in [redacted] New Hampshire with approximately $120K in equity. I negotiated [redacted] price to $369K, The realtor documented it as $334K in real estate and $35K in Furniture & Fixtures to total the $369K. I also negotiated a second mortgage of $35K with the sellers. I then brought this information to the Mortgage broker and asked what he could do. He offered a 65% LTV on the $369K loan at 9.85% (He claimed the interest rate was high because the Inn had no financial "history"). After running my own calculations and considering what would be required for working capital, I went back to the mortgage broker and said I would need at least a 70% LTV of the sales price to have enough working capital to make it work. He stated he could give a 70% LTV. Briefly, 70% LTV of the $369K selling price ($258,300) would put me at a $75,700 down payment plus closing costs. ($369K less the owner financing of $35K = $334K less $258,300 = $75,700 down) Considering the equity in my home of $120K<> would give me approximately $30-35K working capital after closing costs, misc. fees and the 7% broker fee. It would be "skinny" but I felt with hard work and perseverance we could make it work. Perhaps after proving myself I could obtain a sufficient line of credit to help build the Inn. I also had a small marketing business that I could draw from if I needed to. I instructed the mortgage company to proceed under these contingencies.

Exhibit to:

Appendix A Page A-2
Paragraph 1

From that time on, I received several faxes informing me of the progress of the loan (I included a few copies examples with this letter), I was also fortunate to put my home under contract fairly quickly. (During the time I owned it I had done a considerable amount of finish work that made it an attractive buy). All the correspondence (Of which I still have copies) stated that the mortgage was proceeding as promised at 70% LTV on $369K along with a letter of commitment and a fax containing the figures we agreed on.

This is where I believe things went "wrong". Right up to shortly before the closing I received faxes stating the LTV and amount to be borrowed. Then the day OF the closing I was told by the broker that although the mortgage company was still giving me 70% LTV, It was only on the real estate portion which was $334K. They were not loaning on the Furniture & Fixtures. Plus he stated the loan would carry a 5% prepayment penalty. They were extending a loan of $233,800 instead of the agreed on $258,300 effectively wiping out my entire working capital. I was asked at that time if I still wanted the loan. Keeping in mind, I had already contracted to sell my home which I was closing on that morning, I had my all belongings in a moving van, I had a contract with the current owners of [redacted] and if I backed out I would lose a considerable deposit and both my wife and myself were physically and emotionally exhausted. I was forced to accept the terms. I remember sitting in that beautiful [redacted] the next morning knowing I did not have a cent left to make it work. That is a frightening situation to be in.

For the next 11 months I scraped, worked all hours I could and pulled every penny I could from my [redacted] business to the point where I had to close it temporarily for lack of capital. I put every penny I could raise into [redacted]. I was starting to see some progress but it just wasn't enough. The mortgage payments on [redacted] were approximately $3600 per month and with no initial working capital, after paying that each month I just could not scrape up enough cash for daily expenses let alone advertising. I was able to beg a line of credit from a local bank but the most they would extend was $25K and it was too little too late. After weeks of discussion and disappointment, my wife and I decided to put [redacted] up for sale before it was too late. That was an extremely difficult decision to make. We had grown fond of [redacted] as well as the people (both guests and local friends). But it had to be done. I had no choice. I felt I was fortunate that after only a few months I received an offer of $425K. (Mainly from all the effort I put into [redacted]

If I had any feelings that things were improving, Those feelings quickly disappeared. I contacted the Mortgage company (now a different servicing company called Bayview Mortgage) and asked for a verbal payoff amount just so I would know where I stood before accepting the purchase offer. He [redacted] from Bayview) quoted me a $255,500 total payoff. (My loan balance was $232K but there was that 5% pre pay penalty plus other charges that added to the payoff.) With those figures and considering other payoffs such as the line of credit, A $34K realtor commission and a few other items, I would be coming out of this with approximately $40K. Much less than what I originally put into [redacted] but at least enough to put down on a small home and start over. I considered it an expensive learning experience (at age 53 I'm still learning). I put a good faith deposit on a small home and received a mortgage commitment from Citizen's bank. (My credit was lower than it was before I purchased [redacted] from a couple of late payments. It was AA+ before that) so I was only able to get an 80% LTV and 8% rate. Still, considering everything, that was acceptable, My wife and I would at least have a roof over our heads. I would have the 20% down payment from the sale of [redacted] with a little left over to rebuild my business.

Exhibit to:

Appendix A Page A-2
Paragraph 1

If I was contented with that I was in for another rude awakening from that mortgage company. Because I hadn't seen any of the paperwork for the purchase of [redacted] until the day of the closing, I wasn't aware that they had placed what they call a "lock out" of two years on the loan. I understand now from my current Attorney, that a lockout means I could not sell [redacted] for two years. I found this out when my attorney requested a written payoff from the mortgage company. The end result was a payoff of $289,991.47 ($43,765.19 in prepayment penalties) on a $229,754.10 mortgage balance effectively wiping out virtually all the equity I had in [redacted], my entire life's savings and eliminating ANY chance of my wife and I purchasing a home (we also lost the deposit we put down on the home we wanted to purchase because we had to back out). I called and asked [redacted] from Bayview why he quoted me a lower payoff amount. All he would say is that he wasn't aware of the lockout. The end payoff to me after all expenses, Realtor commission, closing costs etc was $15,034.27. Most of which is being expended in moving costs and renting a small winter cottage until I decide what to do next. Even my current Attorney, [redacted] was "surprised" at the charges applied to this mortgage. He also recommended I contact a Commercial litigation attorney but I am financially unable to retain an expensive litigation attorney. Attorney [redacted] has been a tremendous support throughout all of this but commercial litigation is not his specialty and cannot help with this.

If all that wasn't enough, whomever Interbay originally hired to do a title search neglected to find so many items that it became a major issue when I tried to sell [redacted] (The new buyers title search company found them) There were liens from the 70's, missing documents etc. A total of 9 items in all and enough to almost stop the closing. The buyers threatened to back out if these title issues were not resolved which added more costs to my attorney fees. They finally accepted a letter from the original attorney promising to resolve these issues post closing.

I had taken [redacted] that was functionally closed and built it into a business that sold for a small but positive profit in about a year's time. (You yourself saw the turnout when you attended the Grand Opening), The locals loved having it reopened and my wife and I enjoyed the people as well as the clubs which we hosted for business and dinner meetings such as [redacted] and [redacted] etc. This was all done through hard work and swear equity. For this to be completely taken using underhanded methods such as those used by this mortgage company is, if not illegal, MUST be at least unethical. The most unethical part I felt was leading me on with FAXED FIGURES that were false right up to the closing. I have been told by several professional people (Two realtors and a Non Commercial Attorney etc) that I should contact a commercial litigation attorney. The problem is, and this mortgage company probably knows, that I am now financially destroyed and a commercial litigation attorney would cost more than I have or can raise.

Exhibit to:

Appendix A Page A-2
Paragraph 1

I am also being told now that because this was a "commercial" transaction I have little or no recourse. Commercial transactions offer no consumer protection whatsoever in New Hampshire and are "buyer beware". But I can't understand how mortgage companies can outright lie to make a sale. I am holding a fax (included as an example) that is dated the just shortly before the closing with figures that are in no way close to what actually transpired.

Councilor Burton, If you cannot offer any help directly, Could you please offer some suggestions or direction? ANY help would be very much appreciated in these trying times.

Thank you in advance for any help you can offer and I appreciate you taking your valuable time to read this letter. I apologize for it's length, I honestly tried to keep it brief. I also realize I probably applied too much "emotional involvement" in what should have been a strictly business deal but it's difficult not to become emotional when you're about to become homeless because of tactics used by these types of companies. Although [redacted] was to be a business venture, It was also our home and was to be a retirement and lifestyle change for both myself and my wife but ended up a nightmare.

Sincerely;

[redacted]

Exhibit to:

Appendix A Page A-2
Paragraph 1

State of New Hampshire

Banking Department

64B Old Suncook Road
Concord, New Hampshire 03301

Telephone: (603) 271-3561
FAX: Banking (603) 271-1090
FAX: Consumer Credit (603) 271-0750

PETER C. HILDRETH
BANK COMMISSIONER

ROBERT A. FLEURY
DEPUTY BANK COMMISSIONER

February 28, 2005
VIA CERT. MAIL

MR SCOTT FARAH
PRESIDENT
FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION INC
PO BOX 1158
MEREDITH NH 03253

Re Complaint: [redacted]

Dear Mr. Farah:

The Banking Department has received a written complaint from the above named complainant against your company FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION INC.

You are requested to review this complaint in detail, compare actions with company internal policy and applicable law and reply in writing to this office. A copy of your reply will be forwarded to the complainant.

Your first response to the consumer and the Department is due in 30 days. You must provide written acknowledgment that you received the enclosed complaint. Return of the certified mail receipt is not considered or accepted as a written acknowledgment of the complaint.

Your final response must be received by the consumer and the Department within 60 days from receipt. It must provide either:

(a) appropriate corrections in the account of the consumer were made; or

(b) a written explanation or clarification which sets forth, to the extent applicable, the reasons why the licensee believes its actions are correct, including copies of documentary evidence thereof.

In both instances you are required to transmit the above written responses to the consumer and the Banking Department along with documentary evidence supporting your position.

You should be aware that the statute governing consumer inquiries (RSA 397-A:15-a) provides that failure to respond within either of the above time frames may result in a fine of $50 per day for each violation.

Thank you for your cooperation in addressing this matter.

Sincerely,

[redacted]

Andrea J. Boudreau
Staff Attorney

AJB/tm
Enclosures

Exhibit to:

Appendix A Page A-2
Paragraph 1

SENDER: *COMPLETE THIS SECTION*

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

MR SCOTT FARAH
PRESIDENT
FINANCIAL RESOURCES & ASSISTANCE OF
THE LAKES REGION INC
PO BOX 1158
MEREDITH NH 03253

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X [signature] ☐ Agent ☐ Addressee

B. Received by (*Printed Name*) Melissa Copth
C. Date of Delivery 3/2/05

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☑ No

3. Service Type
☑ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (*Extra Fee*) ☐ Yes

2. Article Number
(*Transfer from se*) 7002 2030 0000 9675 0522

PS Form 3811, August 2001 Domestic Return Receipt Rogers tm 102595-02-M-1540

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(*Domestic Mail Only; No Insurance Coverage Provided*)

For delivery information visit our website at www.usps.com®

OFFICIAL USE

Postage $
Certified Fee
Return Receipt Fee (Endorsement Required)
Restricted Delivery Fee (Endorsement Required)
Postmark Here

To MR SCOTT FARAH
PRESIDENT
FINANCIAL RESOURCES & ASSISTANCE OF
THE LAKES REGION INC
PO BOX 1158
MEREDITH NH 03253

PS Form 3800, June 2002 See Reverse for Instructions

7002 2030 0000 9675 0522

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Appendix A Page A-2
Paragraph 1

State of New Hampshire

Banking Department

February 28, 2005

64B Old Suncook Road
Concord, New Hampshire 03301

Telephone: (603) 271-3561
FAX: Banking (603) 271-1090
FAX: Consumer Credit (603) 271-0750

PETER C. HILDRETH
BANK COMMISSIONER

ROBERT A. FLEURY
DEPUTY BANK COMMISSIONER

[redacted]

RE: Complaint – FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION INC

Dear Mr. [redacted]

On January 19, 2005 the Department received a complaint from you against – FINANCIAL RESOURCES & ASSISTANCE OF THE LAKES REGION INC.

The law requires the department to forward your complaint within 10 days of receipt to the entity involved. The entity must send to you and the Department an acknowledgement they received your complaint within 30 days. The entity has a total of 60 days to investigate and either resolves the complaint in your favor, forwarding the resolution and supporting documentation to you and the Department, or provides a written explanation as to why they believe they acted within their rights and provide supporting documentation to you and the Department. The entity's failure to respond within the statutorily prescribed time limits may result in monetary fines against them.

If it appears that an entity may be violating New Hampshire laws the department may take an enforcement action against that entity. The Department is not able to discuss any enforcement action it may be taking with you until that action becomes public.

You may want to contact your attorney to advise you as to your legal rights in this matter and protect your interests. Wherein this Department will investigate your complaint, it will not necessarily be investigated in detail or cause the Department to take action against any person. We represent the state in this matter and can neither represent you or provide you with legal or financial advice, nor act as your personal attorney or representative.

Sincerely,

[redacted]

Andrea J. Boudreau
Staff Attorney

AJB/tm

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Appendix A Page A-2
Paragraph 1