

STATE OF NEW HAMPSHIRE
BANKING DEPARTMENT

CONSUMER CREDIT ADMINISTRATION
DIVISION
REPORT OF EXAMINATION

MORTGAGE BANKER

License Type

5902-MB

License Number

Financial Resources Mortgage, Inc

Licensee

[REDACTED]
Tax I.D. Number

Meredith

City

New Hampshire

State

Examined By: Lorry D. Cloutier
Nicole Jeanson

Examination Date: November 17, 2008

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The information contained herein is based upon records of licensee, upon statements made to the examiner by management, officers, and employees; and upon information derived from sources which the examiner considered reliable and correct.

The subject licensee shall under no circumstances publish, or make public in any manner, this report of examination or any portion thereof. This examination remains the property of the State of New Hampshire Banking Department. RSA 383:10-b.

PETER C. HILDRETH
BANK COMMISSIONER

Exhibit to:

Appendix A Page A-7
Paragraph 2

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The State of New Hampshire Banking Department

**MORTGAGE BANKER
REPORT OF EXAMINATION**

EXAMINATION DATE	11/17/2008
NAME OF LICENSEE	FINANCIAL RESOURCES MORTGAGE, INC
ADDRESS	15 NORTHVIEW DRIVE
CITY, STATE, ZIP	MEREDITH, NEW HAMPSHIRE, 03253
LICENSE NUMBER	5902-MB
EXAMINER IN CHARGE	LORRY D. CLOUTIER
TAX ID NUMBER	[REDACTED]

REGULATORY AUTHORITY AND SCOPE OF EXAMINATION:

This regularly scheduled examination was conducted pursuant to New Hampshire RSA 383: 9 and under the provisions of RSA 397-A:12. This was a targeted examination and was limited in scope. The scope of the exam included a review of the officer questionnaire including the licensee's operational and compliance policies and bank statements, 2007 annual report, the licensee's website located at www.frmortgageinc.com, previous examination concerns, and the requested loan files.

The previous examination of Financial Resources Mortgage, Inc took place on June 11, 2007. Some of the observations that were listed in report of examination include, but are not limited to: the licensee did not notify the department of their Manchester location closing, the licensee failed to provide tax returns and quarterly financial statements, compliance with nontraditional mortgages could not be determine, their safeguarding policy was insufficient, and they were dealing with an unlicensed servicer, C, L and M, Inc.

A review of the licensee's current regulated business activities, operational practices and financial condition was undertaken to determine compliance with NH RSA 397-A , the Gramm-Leach-Bliley Act, and portions of the Real Estate Settlement Procedures Act. This included an analysis of loan files originated by the licensee between November 28, 2005 and December 9, 2008. The exam took place between November 17, 2008 and March 16, 2009.

BACKGROUND:

Financial Resources Mortgage Inc is a corporation formed in the state of New Hampshire and was issued its Mortgage Banker license with the New Hampshire Banking Department since at least 1997. On January 3, 2008, the licensee notified the Department that they were changing their name from Financial Resources and Assistance of the Lakes Region Inc to Financial Resources National, Inc. On October 31, 2008 the department was notified that the company had to change their name from Financial Resources National, Inc to Financial Resources Mortgage, Inc due to the licensee not being able to renew in Virginia with the word "national" being part of their name.

The examination was conducted at the licensee's principal licensed office at 15 Northview Drive, Meredith, NH. The contacts for this examination were Scott Farah, President, and Susan LeDuc, Regulatory Specialist.

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OBSERVATIONS:

Unlicensed Activity

During the examination, the examiners found that the licensee was working with three unlicensed entities. In the [REDACTED] mortgage file, the licensee was working with the unlicensed lender Sun State Capital Management, LLC. In the [REDACTED] loan, the licensee was working with the unlicensed lender [REDACTED]. The following loans used the unlicensed servicer C, L and M, Inc: [REDACTED]

C, L and M, Inc has a forced trade name of Commercial Project Loan Servicing, and lists the President as Donald E. Dodge with the Secretary of State. This company was incorporated under the laws of Nevada on June 13, 2005. Currently, C, L and M, Inc share the same office building with the licensee. Even though the entity lists its business activity with the Secretary of State as "commercial loan consulting and servicing as well as all other lawful business", as seen in the exam, they have serviced loans that were residential instead of commercial. This unlicensed servicer was also cited in the previous examination. *This is a repeat violation.*

Sun State Capital Management, LLC was a lender in a residential mortgage and thus is required to be licensed. The entity is not registered with the Secretary of State, however it does list an address of 256 Commerce Drive, #443, Peachtree City, Georgia 03269 on the HUD.

[REDACTED] was a lender in a residential mortgage and thus is required to be licensed. The entity, according to the HUD, lists an address of [REDACTED], [REDACTED].

All of the loans listed above were marked as primary residences on the applications.

1. **NH RSA 397-A: 3, I.** *Any person not exempt under RSA 397-A: 4 that, in its own name or on behalf of other persons, engages in the business of making or brokering mortgage loans secured by real property located in this state shall be required to obtain a license from the department.*

The licensee is working with unlicensed entities.

2. **NH RSA 397-B: 2, I.** *This chapter shall provide for the banking department's regulation of mortgage servicing companies that engage in the business of servicing first or second mortgage loans secured by real property located in the state of New Hampshire, which is or shall be occupied in whole or in part as a primary domicile or place of residence by the mortgagor and which consists of not more than 4 living units. Persons registered under this chapter shall be responsible for the supervision of their employees, agents, and branch offices.*

The licensee is working with the unlicensed servicer, C, L and M, Inc.

3. **NH RSA 397-A: 12, VIII.** *Upon receipt of a written report of examination, the licensee shall have 30 days or such additional reasonable period as the commissioner for good cause may allow, within which to review the report, recommend any changes and set*

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forth in writing the remedial course of action the licensee will pursue to correct any reported deficiencies outlined in the report.

The licensee is still working with the unlicensed servicer, C, L and M, Inc.

Loan Files

Yield Spread Premiums (YSP):

Licensees are required to disclose the YSP on the Good Faith Estimate (GFE) as a reasonable dollar amount or dollar range. The following loans listed unreasonable dollar amount ranges on the GFE: [REDACTED]. The [REDACTED] file lists the YSP range from \$100 to \$5,638. The [REDACTED] file lists the YSP range from \$1 to \$4,600.

Balloon Disclosures:

All balloon loans are required to contain a New Hampshire balloon disclosure. This disclosure need to be provided to consumers within three days of application. The following three loans did not contain the required disclosure: [REDACTED]

A similar issue was cited in the previous examination. The licensee stated in their response to the last exam that "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."

Construction Loans:

The following three loans contained short-term notes of 1 year: [REDACTED]. The applications for all of these loans state that they are all primary residence. The short-term notes are all titled "Promissory Note: Commercial Construction Loan Agreement." This title could be confusing and misleading to borrowers.

4. **NH RSA 397-A: 2, III referencing the Real Estate Settlement Procedures Act, Regulation X, 24 C. F. R. § 3500.7 (c), (2) Content of Good Faith Estimate.** *A good faith estimate consists of an estimate, as a dollar amount or range, of each charge which the borrower will normally pay or incur at or before settlement based upon common practice in the locality of the mortgaged property. Each such estimate must be made in good faith and bear a reasonable relationship to the charge a borrower is likely to be required to pay at settlement, and must be based upon experience in the locality of the mortgaged property.*

The YSP dollar amount range was unreasonable in the [REDACTED] loan files.

5. **NH RSA 397-A: 12, IV and NH Code of Administrative Rule, Ban 2504.01.** *A mortgage banker or mortgage broker who receives an application for a loan containing a balloon payment shall give a written disclosure statement to the borrower.*

The [REDACTED] loan files did not contain the required balloon disclosure.

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6. **NH RSA 397-A: 12, VIII.** *Upon receipt of a written report of examination, the licensee shall have 30 days or such additional reasonable period as the commissioner for good cause may allow, within which to review the report, recommend any changes and set forth in writing the remedial course of action the licensee will pursue to correct any reported deficiencies outlined in the report.*

The licensee failed to provide consumers with the required balloon disclosure after they stated that they had corrected the issue.

7. **NH RSA 397-A: 17, I (f).** *Had made fraudulent misrepresentations, has circumvented or concealed, through whatever subterfuge or device, any of the materials particulars or the nature thereof required to be stated or furnished to a borrower under the provisions of this chapter.*

The license is using "commercial construction loan agreements" for primary residence loans.

Recordkeeping

Licensees are required to maintain records that will allow the department to determine compliance. All of the loan files are stored together in alphabetical order only separated by residential, commercial, and "dead" property. On the first day of the examination, the examiners tried to locate files on the loan list provided during Phase 1 to the department. The examiners were not able to locate any of the files in the storage room. When the examiners requested these loans from Rhonda Vappi, Office Manager, she retrieved these loan files from her office. Ms. Vappi explained that she had pulled these files because she knew that we might need them for the upcoming examination and wanted to have them accessible.

Later that day, the examiners had received an updated loan list with all of the files that were closed. The examiners were again told that these files would be in either the files from Ms. Vappi office or in the file cabinets. The examiners were able to locate some of these files but still had loans that they were not able to locate. The next day the examiners gave the list of missing files to Susan LeDuc, Regulatory Specialist. She was able to locate these files in the offices of processors and loan originators, for both residential and commercial mortgages. Having difficulty locating all of the requested files was an issue cited in the previous examination and continued to be a problem through out this examination.

The licensee had some issues with their databases as well. When Ms. Vappi produced the inprocess list, it contained a number of loan files that were improperly labeled as primary residences. The licensee explained that the "primary" was a default and was not always corrected, making it difficult to differentiate the loans in their correct category.

Additionally, the ^(NH) [REDACTED] loan file contained loan documents for [REDACTED] a California loan file.

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8. **NH RSA 397-A: 11, I.** *The licensee shall maintain such records as will enable the department to determine whether the licensee's business is in compliance with the provisions of this chapter and the rules adopted pursuant to it. Such records shall be maintained in a readily accessible location and made available for the examination at the licensee's New Hampshire principal office or its New Hampshire branch office location or the office of its New Hampshire agent for a period of at least 3 years after the loan is closed, if the loan is retained in the licensee's loan portfolio, or 3 years after the loan is paid in full, if the loan is retained in the licensee's loan portfolio. Licensees may maintain photocopies, microfilm, or microfiche copies of original documents.*

The licensee needs maintain and have their loan files readily available.

Safeguarding of Consumer Information

Since the previous examination the licensee has improved and updated their safeguarding policy. The licensee's policy states that "This Information Security Plan will be subject to periodic review and adjustment by the Compliance Officer and Coordinators." The examiners asked Ms. LeDuc if the licensee tests and reviews the safeguarding policy. If so, could they have a copy of the most recent review? In her response she stated, "GLB testing of safeguards is performed but not currently documented. Documentation will be maintained in the future."

In addition to testing their safeguarding policy, the licensee needs to maintain contracts with third party servicer providers and other companies that share and have access to the building. When the examiners asked for these contracts, a number of them were given to the examiners. However, the examiners were missing the contracts with DAK Financial Group and C, L and M, Inc. Before the end of the examination, the licensee executed contracts with these entities and provided the examiners with the missing contracts.

Finally, the licensee has a locked storage/conference room on the basement level where they store their loan files. Throughout the examination, the licensee had to locate files that were not stored in the storage room. These files were located in the processors' and loan originators' offices, which do not have locks. The licensee needs to physically safeguard consumers' information.

9. **NH RSA 397-A: 2, III referencing the Gramm-Leach-Bliley Act, and Standards for Safeguarding Customer Information, 16 C.F.R. §314.4 (c).** *The licensee is required to regularly test safeguards in place.*

The licensee could not provide any written documentation that testing of safeguard controls had been performed.

10. **NH RSA 397-A: 2, III referencing the Gramm-Leach-Bliley Act, and Standards for Safeguarding Customer Information, 16 C.F.R. §314.4 (d).** *The licensee is required to monitor service providers and enter into contracts that require service providers to implement and maintain appropriate safeguards.*

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The licensee did not originally have contracts with DAK Financial Group and C, L and M, Inc.

11. **NH RSA 397 –A: 2, III referencing Title V: Privacy - Subtitle A: Disclosure of Nonpublic Personal Information.** *Declares it is the policy of Congress that each financial institution has an affirmative, continuing obligation to respect the privacy and to protect the confidentiality of customer nonpublic personal information.*

The licensee is not physically protecting customers' nonpublic personal information.

Records on files with the Department

Quarterly Financial Statements:

Licensees are required as part of the examination to provide a copy of the most recent quarterly financial statements. The licensee was not able to provide this information to the examiners. Scott Farah, President, stated that the financial are only prepared for the year-end. Mr. Farah also stated that the accountant comes to the office once every-quarter to reconcile the accounts. The examiners suggested that the accountant could prepare quarterly financial statements at this time. This issue was cited in the previous examination.

Financial Statements:

In addition to not providing the quarterly financial statements, the licensee failed to provide year-end financial statements. The examiners requested this information the first day of the on-site examination, February 23, 2009. The licensee repeatedly stated that the information would be provided, however at the close of this examination, March 16, 2009, the licensee was unable to provide the request financial statements.

Annual Report:

For the Phase 1 portion of the examination licensee are required to provide work papers to support their most recent annual report. In their response to Phase 1 request, Mr. Farah states "the work papers requested cannot be provided as the Annual Report is produced from data electronically populated from Closed File Database."

The 2007 Annual Report requests all originators that have originated loan in 2007. The loan list provided to the Department shows that James Escoto originated loans in 2007. This originator was not listed on the 2007 Annual Report. Additionally, from the loan list provided by the licensee during the examination, the number of loans and dollar totals do not match what was reported to the Department on the 2007 annual report. The licensee needs to verify this information and submit an amended annual report.

12. **NH RSA 397-A: 13, V.** *In addition to the annual report and financial statement, the banking department may require such additional regular or special reports as it may deem necessary to the proper supervision of mortgage banker, mortgage broker, and originator licensees under this chapter.*

- a. The licensee failed to provide quarterly financial statements.

Exhibit to:

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b. The licensee failed to provide year-end financial statements.

13. **NH RSA 397-A: 12, VIII.** *Upon receipt of a written report of examination, the licensee shall have 30 days or such additional reasonable period as the commissioner for good cause may allow, within which to review the report, recommend any changes and set forth in writing the remedial course of action the licensee will pursue to correct any reported deficiencies outlined in the report.*

The licensee failed to provide quarterly financial statements.

14. **NH RSA 397-A: 13, I.** *Each licensee shall file, under oath, an annual report with the banking department on or before March 31 each year concerning operations for the preceding year or license period ending December 31 upon the form prescribed by the banking department. The annual report shall include a list of all individuals, and the address of work location or an undertaking to provide the address immediately upon the department's request, of each such individual, who act as originators for the licensee.*

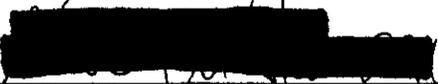
The licensee needs to amend their 2007 annual report.

15. **NH RSA 397-A: 12, VII.** *Every person being examined, and all of the officers, directors, employees, agents, and representatives of such person shall make freely available to the commissioner or his or her examiners, the accounts, records, documents, files, information, assets, and matters in their possession or control relating to the subject of the examination and shall facilitate the examination.*

The licensee failed to provide their financial statements.

16. **NH RSA 397-A: 5, III (c).** *Each mortgage banker or mortgage broker applicant shall be required to submit to the department detailed financial information sufficient for the commissioner to determine the applicant's ability to conduct the business of a mortgage banker or a mortgage broker with financial integrity.*

Compliance could not be determined.

Examiner (Signature)	Date	(Signature)	Date
	3/18/09		3/19/09

Signature redacted. Signed by:

Nicole M. Jeanson

Signature redacted. Signed by:

Kimothy C. Griffin

Exhibit to:

Examination: Comments

FINANCIAL RESOURCES MORTGAGE INC

15 NORTHVIEW DR

23-Feb-09

Lorry D. Cloutier

MEREDITH

NH

Mortgage Banker

Monday, February 23, 2009

Due to the distance, bad weather, and discussing the exam, we did not arrive until 10:00.

10:00 - I introduced myself and Nicole to the receptionist. She called Rhonda. Rhonda said that they have an attorney deal with the aduts, so she'll be right with us. I explained that this was unannounced and she knowed us to a conference room.

10:15 - Rhonda came and said she had most of the questionnaire done since she knew that we would be coming, just not when. She said that this was a really bad week as Scott was out sick and just got back today, so there is a lot to catch up on. Also, Susan LeDuc is on vacation. She asked about the changes in the questionnaire. We said we thought there were some wording changes and some additional ones on the end. I said that I had some other questions and asked for a revised loan list through the present. She said she'd work on that and then quickly left the room before I could ask anything else.

10:17 - I asked the receptionist for a data cable. She said she would ask Rhonda.

10:32 - The receptionist came back and said that Rhonda is working on the data cable, but is also trying to work on the other things for us. I said that I had another thing to add since we would like to get a tour of the place. She said she would see who could do that for us, maybe her or Jessie. She wasn't sure on the protocol.

10:33 - The receptionist talked to her supervisor and Rhonda has to give the tour as well if we wouldn't mind waiting. I said that they were paying for us to be here, so I was hoping to help move that along. She said she understood.

10:34 - Diane stepped in the conference room. She said that she was looking for Jessie. Jessie wasn't here, so she left.

10:37 Scott came in to give us a tour. There are not many rooms for the refinances for NH loans. They have about 18 to 20 states that they are in. They have a shredding company take the information away now, Northeast Record Retention. They are scheduled to come about every 2 weeks, he believes. They have a bin and a backup bin in case the other ones gets too full. There are two offices that deal with NH residential loans. Christina does the processing and Nancy does the underwriting. Files are to be locked up at night. Those are downstairs. Scott took us downstairs and unlocked the door to the filing room.

Once in the room, he mentioned that they have three databases now. One for dead, one for closed, and one for shredded files. I asked how often they are shredded. He said that he keeps residential for about 7 years. Near Christmas, they go in to shred old ones. He thinks they got rid of 2000 this past Christmas.

He believes that the financials should be ready in two to three weeks. Bill Connor does the audited financials. Once a quarter, he comes in to do the reconciliations and update the Quicken, and then once a year, he takes everything with him in order to do the audited financials. I asked how he was doing for the year and how to find that out. He said that he did pretty good in 2008. He said he can print out the bank statement to show what was in the account.

11:02 - Scott came and brought the first page of the bank statement. Rhonda then came in with a data cord and the inactive file list.

11:22 Rhonda brought in the open files list. She said that she is almost done with the questionnaire, she was just putting everything in order.

11:30 - Susan LeDuc came in and introduced herself. I said what we had already and what they were working on for us. She asked if there was anything she could do right now. I said that we'd probably have more questions after we get the questionnaire.

12:00 - Asked the receptionist where Susan was. She is in the conference room talking to Scott. When they

Monday, 16 March 2009

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finally came out, we asked Susan where the 2008 files were since we couldn't find them. We all went to Rhonda's office. It turns out that all the files on the original list have been sitting in her office since October.

Susan said that she will continue to work on getting the questionnaire to us. I also said that we would need to talk to the accountant. She said she would work on getting his contact information for us.

15:08 An employee (I think it was Christina) came into the room and looked for the [REDACTED] file. She seemed to be going through a list of loan file information and taking the information from the file. She asked if I knew if a national bank would have a license number or if they were exempt. I explained that an FSB and a NA would be federal exempt. She said Rhonda would be happy since she kept trying to find their number.

15:18 Susan came with the information from the accountant. She said that I was free to call him if I would like, but that he would be coming in tomorrow to finish the audit. I said that I could wait for tomorrow. I mentioned that we start work at 8am. She said she wasn't sure if anyone would be here. I explained that we start billing at that time. She will check if someone can come in. She said that the questionnaire was almost done, Rhonda was just working on the schedules, however, since Scott went home sick, he won't be able to sign for it today. I said that I leave at 4pm, so I could wait for it for tomorrow morning. I mentioned that I was also waiting for the closed loan list. She said that Rhonda was still working on it, some of the information we ask for is still missing, so they are trying to fill it in. I said that I couldn't find any of the 2008 files down here. She is not sure where they are kept. I asked her to find out so that we can look through some of them tomorrow. She said she would check and come down here before I leave.

15:45 Susan came down again with the list of closed loans. There are only a few more on the list then before and she said Rhonda said they should be down here. They didn't do as well this year. She said that they would have someone here for 8:00.

Tuesday, February 24, 2009

08:00 The door was unlocked and Scott was inside. He brought us to the loan room. He asked how long it would take. I said that I wasn't sure yet since I just got the closed loan list before I left yesterday and the questionnaire just arrived today and we still need to talk to the accountant.

09:08 - Susan came in. She said that there were a couple of things in the questionnaire that they are working on. I said that I saw that they were still working on the tax returns and the complaints. I mentioned that there were a couple others so far, though I haven't gone through everything yet. #9 just lists Scott as President, should list everything that he is including owner. #11 says they talk to the attorney before telling the Department of significant events, but I'm looking to see what triggers them to know that they have a significant event. And #18 asks for approved service providers, we didn't have anything from the appraisers, title companies, closing agents, etc. Susan said she thought Rhonda had put that together. Nicole asked for the shredding company's info as well. I said it may be there later on as I haven't finished going through, but was not there in answer to the question. She said she'll look into that.

10:25 - Susan came in with the contract for the shredding company. I went through the questionnaire with some more information that I was looking for. #30 said that complaints would be provided today. #36 said that legal suits would be provided today. #37 asks if it was kept or sold on the secondary market. They said that none were. I asked for more detail if they stopped making loans. There is only one serviced for a private lender. I asked if they planned on doing anymore, etc. #42, the operating account is to be provided today. I explained it was for the last quarter. #46 asks where business is conducted. They said generally here, so I asked if it is possible to be anywhere else. #54 asks for the transaction history of the serviced loan that we are supposed to get today. I said that we wanted a copy of the loan in addition to the transaction history.

11:08 - Susan came back. Rhonda made the wrong pipeline report. I said that we could make a copy and she can take one, but I liked to keep it. She said that was fine, but it is the wrong report. I like to compare what caused the problem in the list.

She said that they went to look for some of the loans on the list. She said that 3 of the loans on the list are actually commercial loans. I asked for them to verify what they are.

Monday, 16 March 2009

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FINANCIAL RESOURCES MORTGAGE INC

15 NORTHVIEW DR

23-Feb-09

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12:02 - Scott came in with the 2007 tax returns. He asked what we were looking for since the accountant is here. I explained that I was looking for the check register and the bank statements. He seemed confused and said that would be hundreds of pages. I said we could start with December then. I explained that I wanted wherever he writes down the checks he's paid and the bank statements that go with it. I can then look to see that he's paid his bills and that he's had money in the account to pay for it.

He asked if we would be finishing today since he's pretty beat. I said we were still waiting for stuff, so I could safely say that we would be here tomorrow. He said he would have the accountant put that stuff together and have it ready for us in the morning.

12:52 - Susan came in with some files. Brought the 3 of the 6 files. The other ones are commercial, so she has to find them. Nicole then gave her the list of more files that we could not find. Susan then had the loan report form, the report Rhonda gave us does not have anything right, they could be from out of state, etc. Previously had closed files plus an additional 5 that are in the pipeline.

Miscommunication on the litigation. They were trying to get everything since they started, not just for the time period.

We went over number 37 some more about the selling. There is only that one loan that was sold to the private investor and they retain the servicing. I asked about if they do more. She said that they have done more in the past, but this was the only one that they have right now, so it doesn't appear so. I asked if they have some sort of policy for these. She said that she didn't think so, that it depends on the investor.

She reiterated again that the old in process list that we kept was not right and if I wanted, she could go through to label them to see if they were the right ones or commercial properties, etc. I said that was okay, we could probably just pick a couple and verify what they are.

13:12 - An employee, I think Christina, came in looking for the [redacted] file. His first name is [redacted] and last name is [redacted], and they mixed it up and labeled [redacted] but it was [redacted]. She said that Susan would be bringing the other ones down and explained why she had them. They work here so she wanted to keep them private.

13:19 - Susan came back in with more files. [redacted] The [redacted] and [redacted] are employees, so they are not kept here.

On the servicing loan, [redacted] the transaction history. I said that we were also looking for the bank statements for the servicing account for [redacted]. She wanted to know if I wanted it for the servicing of the loan. It closed in August 2008, so I asked for July to present.

She then asked questions on some of the loans. I explained about the previous loan for the [redacted] had a payoff from CM and L and I thought that Financial Resources brokered the loans that went to them. She wasn't sure, so she said that she would check.

She asked if we would be coming back tomorrow. I said that we would. She asked when we would be done. I said that would depend on what would we got and if there were any questions.

15:09 - Susan came in with the closing agents and the appraisers. She said that she didn't think that she would get the operating account to us until tomorrow. I said that I figured that we wouldn't get it until then.

15:16 - Susan came in about [redacted]. She can't find the previous loan. We gave her the file to see if she can find it.

Wednesday, February 25, 2008

08:05 - Scott was late coming in today, so we waited for him outside so he could unlock the front door and the door to the file room. He said that the accountant would be back today and should have a trial balance for us by the end of the day, maybe even earlier. He asked what we wanted for bank statements since he had the whole year.

Monday, 16 March 2009

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15 NORTHVIEW DR

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23-Feb-09

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Mortgage Banker

After discussing the length of the bank statements as they are 30 pages a piece, I said he could make copies of the last quarter (October through December) and bring the originals for the rest of the year to review.

I asked him about his safeguarding policy and if they have had testing. He said that he did not know as Rhonda would take care of that sort of thing. I said I would wait and ask Susan then.

On the table when we arrived was the corrected questionnaire.

09:17 - Scott came down to say that his fever has spiked so he is going home. He'll come back tomorrow but Susan and Rhonda will continue giving us information. He asked if we were finding things. I said that we were still waiting on information and have found a few things here and there. We'll know better as we get information. He talked about the audits and how they have gotten bigger over the years. Then he left.

10:35 - Susan came down with the litigation and the complaints. She said that the accountant still isn't here yet and haven't finished yet. He has all the documentation that we are looking for in regards to the operating account and servicing account.

I said that we had some questions. #14, I need to have it updated to include all the lenders. The [redacted] file had a private lender that was not listed. #33 needs to be updated to include all the options as the private investors options. #38 needs to be updated to include the [redacted] investor. #49 asks for contracts with 3rd parties. I asked if there was anything with the other entities in the building in regards to safeguarding. She said she thinks that it is in their lease. I asked for a copy of those then. I also asked if they have done any testing with the safeguards, if so, do they document them, and if so, please provide a copy of those.

I then asked for more files. The [redacted] and [redacted] files were not on the list and we wanted to see them. For the in process loans, we wanted to see [redacted] and [redacted]. Also, the loan before [redacted].

11:03 - Susan came down and said she was told one of the loans was in the boxes. She went through the boxes and it wasn't there. She also mentioned that the [redacted] loan may be misspelled, she thinks it [redacted] but she'll continue to look and bring whichever one it is.

11:24 - Susan brought the in process loans to review.

11:48 - Christina (I think) came down and went into the commercial loan section.

11:58 - Christina (I think) came down again to look for a dead file.

13:10 - Susan came looking for the [redacted] file. Nicole gave her the three processing files back. Susan said that she has the list of originators and she'll bring that down to us. She has to make some updates to the questionnaire, but Scott is sleeping and his wife didn't want to wake him, so Susan needs to wait and call him later.

I informed Susan that I would be leaving a bit early and have a meeting in the morning, but Nicole would be returning tomorrow.

14:40 - Susan brought information in. She is going to take [redacted] file to try to find the one before it. The accountant is just finishing with the bank statements now.

She brought the [redacted] and [redacted] files. The list of originators added to the bottom of the list. In regards to #14, list of lender. They said that 1st and 2nd lien are not done through outside lenders. Nicole said that they tried to do just one through Accredited, but it didn't work, but it didn't work, so the 2nd had to go through a private lender. She thinks that there should not be any. But there is one, so they will look at [redacted] and try to figure out. About the investor loans, there was only that one with [redacted] so they will add that to the list.

In regards to #49 - Golden Burke they have, CL&M and DAK Financial, they will get. With testing of safeguards,

Monday, 16 March 2009

Exhibit to:

Appendix A Page A-7
Paragraph 2

[REDACTED]
FINANCIAL RESOURCES MORTGAGE INC

15 NORTHVIEW DR

[REDACTED]
23-Feb-09

Lorry D. Cloutier

MEREDITH

NH

Mortgage Banker

yes, she tests the, but doesn't test them. Goes around and looks for exposure, but hasn't documented that.

3 other loans - [REDACTED] and [REDACTED]. The loans never finished, never originated. They were prequals, but never came to an end. They are commercial loans that never happened on land or like that.

We went over the financials and what we are still looking for. Operating account, bank statements, servicing records, and trial balance.

Exhibit to:

Monday, 16 March 2009

Appendix A Page A-7
Paragraph 2