

**THIS REPORT C EXAMINATION IS STRICTLY CONFIDENTIAL**

*amount for loans where the licensee acted in the capacity as the lender and provide the source of funds.*

- d. A list on Schedules A and B of the license application form for the current owners, indirect owners and all principals of the company. *Received Schedules A and B June 15, 2007.*
- e. Provide a list of all NH files for loans that the licensee originated, funded, closed, denied, or that were withdrawn, canceled or serviced, or foreclosed upon by the licensee during the period 18 months prior to the date of this notice.

The loan file for [REDACTED] # [REDACTED] in the amount of \$280,000 is secured with real estate located in the State of [REDACTED]. The loan was included on the NH list of closed loans.

A list identifying the loans funded by the licensee is missing. (5 loans were reported in 2006 Annual Report totaling \$725,400.) *A list was received on 6/15/07.*

The licensee created a dead file control list, which does not distinguish loan applications which have been Denied from those Withdrawn.

Applications are filed in Alpha order by the client's last name. The files are not segregated by state. The licensee conducts business in the following 14 states, GA, ID, MD, MA, ME, MI, NH, NM, NC, OK, PA, TX (license issued in name of Scott David Farah), VA, and WA. The control list should be reviewed for accuracy in order to complete reports accurately and to select a sample of files for review. Files must be identifiable by state.

The following items that were requested in the June 11, 2007, Phase II, "Notice of Examination"—Officer Questionnaire are missing or incomplete:

- #12 The description of company operations indicates that "stated" loans will use Salary.com in order to verify the income for that position. Evidence of compliance could not be located in any of the "stated" loan files. The description also states it is company policy to request CPA letters, appropriate. Verification letters issued by a CPA were found in a majority of the loan files. The description also states, if a borrower owns their own business, a copy of the certificate of registration issued by NH Secretary of State would be requested and verified. Verification of the filing with the NH Secretary of State was found in about half of the stated loan files reviewed.
- #42 Bank statement reconciliations were not available for the months of January, February, and March 2007. The General Ledger and bank statements are reconciled every 6 months. *Reconciliations should be preformed at minimum, quarterly, in order to determine errors and any discrepancies in a timely manner.*
- #49 Provide copies of all contracts or agreements in place with any third party service provider. *There were no contracts or agreements provided for title/ loan closing agents.*