

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

Filing Date: 1999-09-10 | Period of Report: 1999-06-30
SEC Accession No. 0000890175-99-000006

(HTML Version on secdatabase.com)

FILER

GREEN TREE FINANCIAL CORP

CIK: **890175** | IRS No.: **411807858** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-Q/A** | Act: **34** | File No.: **001-08916** | Film No.: **99709327**
SIC: **6189** Asset-backed securities

Mailing Address

1100 LANDMARK TOWERS
345 ST PETER ST
SAINT PAUL MN 55102-1639

Business Address

1100 LANDMARK TOWERS
345 ST PETER ST
SAINT PAUL MN 55102-1639
6512933400

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q/A

Amendment No. 1

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1999

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-08916

Green Tree Financial Corporation

Delaware

No. 41-1807858

State of Incorporation

IRS Employer Identification No.

1100 Landmark Towers
Saint Paul, Minnesota 55102-1639

(651) 293-3400

Address of principal executive offices

Telephone

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

Shares of common stock outstanding as of July 30, 1999: 100

The Registrant meets the conditions set forth in general instruction H(1)(a) and H(1)(b) to Form 10-Q. Accordingly, the disclosures in this filing have been reduced as permitted by such instructions.

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GREEN TREE FINANCIAL CORPORATION AND SUBSIDIARIES

EXPLANATORY PARAGRAPH

This Form 10-Q/A amends the Form 10-Q filed by Green Tree Financial Corporation on August 16, 1999, to correct the typographical error included in the captions in the chart on page 7 of the Form 10-Q. The corrected caption refers to securitizations completed in the first six months of 1999. In accordance with the instructions for Form 10-Q/A, Item 1 is included herein in its entirety.

<TABLE>
<CAPTION>

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

GREEN TREE FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(Dollars in millions)

ASSETS

	June 30, 1999 ----	December 31, 1998 ----
	(unaudited)	
<S>	<C>	<C>
Actively managed fixed maturity securities at fair value (amortized cost: 1999 - \$684.8; 1998 - \$342.5).....	\$ 661.7	\$ 340.8
Interest-only securities at fair value (amortized cost: 1999 - \$1,518.6; 1998 - \$1,313.6)....	1,429.9	1,305.4
Short-term investments.....	233.2	195.2
Cash held in segregated accounts for investors.....	895.3	843.7
Cash deposits, restricted under pooling and servicing agreements.....	191.5	205.2
Other invested assets.....	21.5	16.8
Finance receivables.....	3,800.6	3,067.2
Other receivables.....	263.7	266.7
Receivables due from Conseco, Inc.....	254.2	227.5
Servicing rights.....	125.9	116.4
Goodwill.....	51.7	53.2
Other assets.....	241.8	190.2
	-----	-----
Total assets.....	\$8,171.0 =====	\$6,828.3 =====
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities:		
Investor payables.....	\$ 895.3	\$ 843.7
Other liabilities.....	1,281.2	705.6
Income tax liabilities.....	535.3	547.9
Notes payable.....	2,014.0	1,584.9
Notes payable due to Conseco, Inc.....	1,139.7	854.0
	-----	-----
Total liabilities.....	5,865.5	4,536.1
	-----	-----
Shareholder's equity:		
Common stock and additional paid-in capital.....	1,341.0	1,338.3
Accumulated other comprehensive loss:		
Unrealized depreciation of actively managed fixed maturity securities and interest-only securities (net of applicable deferred income taxes: 1999 - \$(40.8); 1998 - \$(3.3)).....	(71.0)	(6.6)
Minimum pension liability adjustment (net of applicable deferred income taxes: 1999 - \$ -; 1998 - \$(2.7)).....	-	(4.4)
Retained earnings.....	1,035.5	964.9
	-----	-----
Total shareholder's equity.....	2,305.5	2,292.2
	-----	-----
Total liabilities and shareholder's equity.....	\$8,171.0 =====	\$6,828.3 =====

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

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<TABLE>
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GREEN TREE FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
(Dollars in millions)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	1999 ----	1998 ----	1999 ----	1998 ----
<S>	<C>	<C>	<C>	<C>

Revenues:				
Net investment income:				
Finance receivables and other.....	\$106.1	\$ 68.8	\$191.7	\$ 118.9
Interest-only securities.....	47.8	26.4	91.5	59.8
Gain on sale of finance receivables.....	226.0	127.6	425.8	271.3
Fee revenue and other income.....	87.6	62.1	170.2	120.7
	-----	-----	-----	-----
Total revenues.....	467.5	284.9	879.2	570.7
	-----	-----	-----	-----
Expenses:				
Interest expense.....	69.6	55.2	126.2	103.7
Other operating costs and expenses.....	172.5	150.6	322.4	285.5
Nonrecurring charges.....	-	108.0	-	108.0
Impairment charge.....	-	549.4	-	549.4
	-----	-----	-----	-----
Total expenses.....	242.1	863.2	448.6	1,046.6
	-----	-----	-----	-----
Income (loss) before income taxes and extraordinary charge.....	225.4	(578.3)	430.6	(475.9)
Income tax expense (benefit).....	90.9	(158.4)	160.0	(119.5)
	-----	-----	-----	-----
Income (loss) before extraordinary charge.....	134.5	(419.9)	270.6	(356.4)
Extraordinary charge on extinguishment of debt, net of taxes.....	-	2.5	-	2.5
	-----	-----	-----	-----
Net income (loss).....	\$134.5	\$(422.4)	\$270.6	\$(358.9)
	=====	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

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<TABLE>
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GREEN TREE FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY
(Dollars in millions)
(unaudited)

	Total	Common stock and additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings
	----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Balance, January 1, 1999.....	\$2,292.2	\$1,338.3	\$(11.0)	\$ 964.9
Comprehensive income, net of tax:				
Net income.....	270.6	-	-	270.6
Change in unrealized depreciation of actively managed fixed maturity investments and interest-only securities (net of applicable income tax benefit of \$37.5).....	(64.4)	-	(64.4)	-
Change in minimum pension liability (net of applicable income tax expense of \$2.7).....	4.4	-	4.4	-
	-----	-----	-----	-----
Total comprehensive income.....	210.6			
Tax benefit related to issuance of shares under stock option plans.....	2.7	2.7	-	-
Dividends on common stock.....	(200.0)	-	-	(200.0)
	-----	-----	-----	-----
Balance, June 30, 1999.....	\$2,305.5	\$1,341.0	\$(71.0)	\$1,035.5

	=====	=====	=====	=====
Balance, January 1, 1998.....	\$1,332.1	\$ 237.8	\$ 18.6	\$1,075.7
Comprehensive loss, net of tax:				
Net loss.....	(358.9)	-	-	(358.9)
Change in unrealized appreciation (depreciation) of interest-only securities (net of applicable income tax benefit of \$12.4).....	(20.2)	-	(20.2)	-

Total comprehensive loss.....	(379.1)			
Capital contribution from parent.....	500.0	500.0	-	-
Issuance of stock warrants in conjunction with financing transaction.....	7.7	7.7	-	-
Issuance of shares for stock options and for employee benefit plans.....	1.7	1.7	-	-
Tax benefit related to issuance of shares under stock option plans.....	1.8	1.8	-	-
Shares returned by executive due to recomputation of bonus.....	(23.4)	(23.4)	-	-
Dividends on common stock.....	(23.5)	-	-	(23.5)
	-----	-----	-----	-----
Balance, June 30, 1998.....	\$1,417.3	\$ 725.6	\$ (1.6)	\$ 693.3
	=====	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

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<TABLE>
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GREEN TREE FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in millions)
(unaudited)

	Six months ended June 30,	
	1999	1998
	-----	-----
<S>	<C>	<C>
Cash flows from operating activities:		
Net income (loss).....	\$ 270.6	\$ (358.9)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Gain on sale of finance receivables.....	(425.8)	(271.3)
Points and origination fees received.....	243.2	110.2
Interest-only securities investment income.....	(91.5)	(59.8)
Cash received from interest-only securities.....	234.1	156.6
Servicing income.....	(81.1)	(67.0)
Cash received from servicing activities.....	86.1	78.2
Net increase in restricted cash deposits.....	(13.7)	(.5)
Amortization and depreciation.....	24.8	21.6
Income taxes.....	111.7	(138.0)
Accrual and amortization of investment income.....	(8.6)	(5.9)
Nonrecurring and impairment charges.....	-	657.4
Extraordinary charge on extinguishment of debt.....	-	4.1
Other.....	17.6	15.5
	-----	-----
Net cash provided by operating activities before settlement of prior year taxes.....	367.4	142.2
Payment of taxes in settlement of prior years.....	(85.1)	-
	-----	-----
Net cash provided by operating activities.....	282.3	142.2
	-----	-----
Cash flows from investing activities:		
Cash received from the sale of finance receivables, net of expenses.....	6,810.3	5,299.6

Principal payments received on finance receivables.....	3,960.3	2,598.9
Finance receivables originated.....	(11,790.3)	(9,434.3)
Other.....	(72.4)	(24.3)
	-----	-----
Net cash used by investing activities	(1,092.1)	(1,560.1)
	-----	-----
Cash flows from financing activities:		
Capital contribution from parent.....	-	500.0
Issuance of shares related to stock options.....	-	1.7
Issuance of liabilities related to deposit products.....	430.0	-
Payments on liabilities related to deposit products.....	(55.6)	-
Issuance of notes payable and commercial paper.....	7,611.8	5,535.3
Payments on notes payable and commercial paper.....	(6,938.4)	(4,616.7)
Common stock dividends paid	(200.0)	(23.5)
	-----	-----
Net cash provided by financing activities.....	847.8	1,396.8
	-----	-----
Net increase (decrease) in short-term investments.....	38.0	(21.1)
Short-term investments, beginning of period.....	195.2	164.2
	-----	-----
Short-term investments, end of period.....	\$ 233.2	\$ 143.1
	=====	=====

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

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GREEN TREE FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following notes should be read in conjunction with the notes to the consolidated financial statements included in the 1998 Form 10-K of Green Tree Financial Corporation ("we", "Green Tree" or the "Company").

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring items, that are necessary to present fairly Green Tree's financial position and results of operations on a basis consistent with that of our prior audited consolidated financial statements. As permitted by rules and regulations of the Securities and Exchange Commission applicable to quarterly reports on Form 10-Q, we have condensed or omitted certain information and disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles ("GAAP"). We have also reclassified certain amounts from the prior periods to conform to the 1999 presentation. Results for interim periods are not necessarily indicative of the results that may be expected for a full year.

Green Tree is a diversified financial services holding company that originates, purchases, sells and services consumer and commercial finance loans throughout the United States. Green Tree is a wholly owned subsidiary of Conseco, Inc. ("Conseco"), a financial services holding company.

When we prepare financial statements in conformity with GAAP, we are required to make estimates and assumptions that significantly affect various reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting periods. For example, we use significant estimates and assumptions in calculating interest-only securities, servicing rights, goodwill, liabilities related to litigation, gain on sale of finance receivables and deferred income taxes. If our future experience differs from these estimates and assumptions, our financial statements could be materially affected.

Our consolidated financial statements exclude the results of material transactions between us and our consolidated affiliates, or among our consolidated affiliates.

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended, ("SFAS 133") requires all derivative instruments to be recorded on the balance sheet at estimated fair value. Changes in the fair value of derivative instruments are to be recorded each period either in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, on the type of hedge transaction. We are required to implement the provisions of SFAS 133 for the year 2001. We are currently evaluating the impact of SFAS 133. At present, we believe it will not have a material effect on either our consolidated financial position or our results of operations.

FINANCE RECEIVABLES AND INTEREST-ONLY SECURITIES

Finance receivables, summarized by type, were as follows:

<TABLE>
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	June 30, 1999 ----	December 31, 1998 ----
	(Dollars in millions)	
<S>	<C>	<C>
Manufactured housing.....	\$ 691.6	\$ 798.8
Mortgage services.....	963.0	603.5
Consumer/credit card.....	731.3	587.3
Commercial.....	1,469.7	1,120.6
	-----	-----
	3,855.6	3,110.2
Less allowance for doubtful accounts.....	55.0	43.0
	-----	-----
Net finance receivables.....	\$3,800.6	\$3,067.2
	=====	=====

</TABLE>

GREEN TREE FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

We pool and securitize substantially all of the finance receivables we originate. In a typical securitization, we establish a special-purpose entity for the limited purpose of purchasing the finance receivables. This special-purpose entity issues and sells interest-bearing securities that represent interests in the receivables, collateralized by the underlying pool of finance receivables. We, in turn, receive the proceeds from the sale of the securities, which are typically sold at the same amount as the principal balance of the receivables sold. We retain a residual interest, which represents the right to receive, over the life of the pool of receivables: (i) the excess of the principal and interest received on the receivables transferred to the special-purpose entity over the principal and interest paid to the holders of other interests in the securitization; and (ii) servicing fees.

In some securitizations, we also retain certain lower-rated securities that are senior in payment priority to the interest-only securities. Such retained securities had a fair market value of \$661.7 million at June 30, 1999, and were classified as actively managed fixed maturity securities.

During the first six months of 1999 and 1998, the Company sold \$7.2 billion and \$5.4 billion, respectively, of finance receivables in various securitized transactions and recognized gains of \$425.8 million and \$271.3 million, respectively.

We record the interest-only security initially at a value representing an allocated portion of the cost basis of the finance receivables sold. We adjust this value to estimated fair value each quarter. We used the assumptions in the table below to determine the initial value of the interest-only securities related to new securitizations in the first six months of 1999. The difference between estimated fair value and the security's book value is included in unrealized depreciation of actively managed fixed maturity securities and interest-only securities.

<TABLE>
<CAPTION>

	Manufactured housing -----	Home equity/ home improvement -----	Consumer/ equipment -----	Total -----
	(Dollars in millions)			
<S>	<C>	<C>	<C>	<C>
Cumulative amounts:				
Interest-only securities at fair value.....	\$ 745.1	\$ 487.8	\$ 197.0	\$ 1,429.9
Principal balance of sold finance receivables (a) ..	22,356.8	9,337.6	3,852.5	35,546.9
Related to securitizations completed in the first six months of 1999:				
Weighted average stated customer interest rate on sold finance receivables (a) (b).....	9.5%	11.5%	10.8%	
Expected weighted average annual constant prepayment rate as a percentage of principal balance of sold finance receivables (a) (c).....	10.7%	28.1%	18.9%	
Expected nondiscounted credit losses as a percentage of principal balance of sold finance receivables (a) (c).....	8.8%	3.2%	1.7%	
Weighted average discount rate used for determining the gain on sale of finance receivables.....	15.0%	15.0%	15.0%	

- <FN>
- (a) Excludes finance receivables sold in revolving-trust securitizations.
- (b) The stated interest rate reflects reductions in rates due to collection of points. Including such points, the effective yield on manufactured housing finance receivables was approximately 10.4 percent in the first six months of 1999.
- (c) The valuation of interest-only securities is affected not only by the projected level of prepayments of principal and net credit losses, but also by the projected timing of such prepayments and net credit losses. Should such timing differ materially from our projections, it could have a material effect on the valuation of our interest-only securities.

</FN>
</TABLE>

We used a 14 percent weighted average interest rate to discount expected cash flows of the interest-only securities in determining the fair value on the balance sheet at June 30, 1999.

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GREEN TREE FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Credit quality was as follows:

	June 30, -----	
	1999 ----	1998 ----
<S>	<C>	<C>
60-days-and-over delinquencies as a percentage of managed finance receivables at period end.....	1.09% ====	1.03% ====
Net credit losses incurred during the last twelve months as a percentage of average managed finance receivables during the period.....	1.11% ====	1.09% ====
Repossessed collateral inventory as a percentage of managed finance receivables at period end.....	1.17% ====	.92% ====

</TABLE>

Activity in the interest-only securities account was as follows:

<TABLE>
<CAPTION>

Six months ended
June 30,

	1999 ----	1998 ----
	(Dollars in millions)	
<S>	<C>	<C>
Balance, beginning of period.....	\$1,305.4	\$1,398.7
Additions resulting from securitizations during the period.....	347.6	312.5
Investment income.....	91.5	59.8
Cash received.....	(234.1)	(156.6)
Impairment charge to reduce carrying value.....	-	(544.4)
Change in unrealized depreciation charged to shareholder's equity.....	(80.5)	(32.7)
	-----	-----
Balance, end of period.....	\$1,429.9	\$1,037.3
	=====	=====

</TABLE>

In conjunction with certain sales of finance receivables, we provided guarantees aggregating approximately \$1.7 billion at June 30, 1999. We believe the likelihood of a significant loss from such guarantees is remote.

NOTES PAYABLE

Notes payable (together with interest rates as of June 30, 1999) were as follows:

	June 30, 1999 ----	December 31, 1998 ----
	(Dollars in millions)	
<S>	<C>	<C>
Note payable to Conseco (5.39%).....	\$1,139.7	\$ 854.0
Master repurchase agreements due on various dates in 1999 and 2000 (6.35%).....	1,009.1	780.6
Credit facility collateralized by retained interests in securitizations due 2000 (7.16%).....	500.0	300.0
10.25% senior subordinated notes due 2002.....	267.3	267.3
Medium term notes due October 1999 to April 2003 (6.58%).....	238.7	238.7
Other.....	3.2	3.2
	-----	-----
Total principal amount.....	3,158.0	2,443.8
Less unamortized net discount.....	4.3	4.9
	-----	-----
Total.....	\$3,153.7	\$2,438.9
	=====	=====

</TABLE>

GREEN TREE FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 1999, we had \$5.0 billion of master repurchase agreement capacity (of which \$1,009.1 million was outstanding at June 30, 1999) with various investment banking firms, subject to the availability of eligible collateral. The agreements generally provide for one-year terms, which can be extended each quarter by mutual agreement of the parties for an additional year, based upon our financial performance.

RELATED PARTY TRANSACTIONS

Pursuant to a promissory note with Conseco, \$1,139.7 million was payable at June 30, 1999. The note bears interest at LIBOR plus a margin of .35 percent and both the principal and interest are due on demand. The Company may borrow up to \$2.0 billion under the note. Interest expense incurred under the note totaled \$28.6 million for the six months ended June 30, 1999.

At June 30, 1999, \$73.7 million par value of the 10.25% senior subordinated notes were held by Conseco.

In the second quarter of 1999, the Company paid a \$200.0 million common stock dividend to Conseco.

LITIGATION

Green Tree has been served with various related lawsuits which were filed in the United States District Court for the District of Minnesota. These lawsuits were filed as purported class actions on behalf of persons or entities who purchased common stock or options of Green Tree during the alleged class periods that generally run from February 1995 to January 1998. One such action did not include class action claims. In addition to Green Tree, certain current and former officers and directors of Green Tree are named as defendants in one or more of the lawsuits. Green Tree and other defendants have obtained an order from the United States District Court for the District of Minnesota consolidating the lawsuits seeking class action status into two actions: one which pertains to a purported class of common stockholders and the other which pertains to a purported class of stock option traders. Plaintiffs in the lawsuits assert claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. In each case, plaintiffs allege that Green Tree and the other defendants violated federal securities laws by, among other things, making false and misleading statements about the current state and future prospects of Green Tree (particularly with respect to prepayment assumptions and performance of certain loan portfolios of Green Tree) which allegedly rendered Green Tree's financial statements false and misleading. The Company believes that the lawsuits are without merit and intends to defend such lawsuits vigorously. The ultimate outcome of these lawsuits cannot be predicted with certainty. Green Tree has filed motions, which are pending, to dismiss these lawsuits.

In addition, the Company and its subsidiaries are involved on an ongoing basis in lawsuits related to their operations. Although the ultimate outcome of certain of such matters cannot be predicted, such lawsuits currently pending against the Company or its subsidiaries are not expected, individually or in the aggregate, to have a material adverse effect on the Company's consolidated financial condition, cash flows or results of operations.

CONSOLIDATED STATEMENT OF CASH FLOWS

In 1999, the tax benefit of \$2.7 million related to the issuance of shares under stock option plans was not reflected in the consolidated statement of cash flows. The following non-cash items were not reflected in the consolidated statement of cash flows in 1998: (i) the return of common stock to the Company of \$23.4 million pursuant to the recomputation of a former executive officer's bonus for fiscal year 1996; (ii) the issuance of stock warrants totaling \$7.7 million in conjunction with a financing transaction; and (iii) the tax benefit of \$1.8 million related to the issuance of common stock for option exercises.

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GREEN TREE FINANCIAL CORPORATION AND SUBSIDIARIES

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GREEN TREE FINANCIAL CORPORATION

Dated: September 10, 1999

By: /s/ ROLLIN M. DICK

Rollin M. Dick
Executive Vice President and
Chief Financial Officer
(authorized officer and principal
financial officer)

