FORM 8-K

Current report filing

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FILER

AAMES FINANCIAL CORP/DE CIK:**879957**| IRS No.: **954340340** | State of Incorp.:**DE** | Fiscal Year End: **0630** Type: **8-K** | Act: **34** | File No.: **001-13660** | Film No.: **99709916** SIC: **6163** Loan brokers	Mailing Address *3731 WILSHIRE BLVD 10TH FLOOR* *LOS ANGELES CA 90010*	Business Address *350 SOUTH GRAND AVE 52ND FLOOR* *LOS ANGELES CA 90071* *2132105000*

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

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

Date of Report (Date of earliest event reported): September 3, 1999

AAMES FINANCIAL CORPORATION
(Exact name of Registrant as Specified in Its Charter)

DELAWARE	0-19604	95-340340
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

350 South Grand Avenue, 52nd Floor
Los Angeles, California 90071
(Address of Principal Executive Offices)

(323) 210-5000
(Registrant's Telephone Number, Including Area Code)

NA
(Former Name or Former Address, if Changed Since Last Report)

ITEM 5. OTHER EVENTS

Reference is made to the press release of Registrant issued on September 3, 1999 which contains information meeting the requirements of this Item 5 and is incorporated herein by this reference. A copy of the press release is attached to this Form 8-K as Exhibit 99.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) EXHIBITS

99 Press release issued September 3, 1999.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Current Report on Form 8-K to be signed on its behalf by the undersigned hereunto duly authorized.

AAMES FINANCIAL CORPORATION

Dated: September 10, 1999 By: /s/ BARBARA S. POLSKY

Barbara S. Polsky
Executive Vice President,
General Counsel and Secretary

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
99	Press release issued September 3, 1999

EXHIBIT 99

Contact: David Sklar
Aames Financial Corporation
(323) 210-5311
or
Steve Hawkins/Tom Ekman
Sitrick And Company
(310) 788-2850

FOR IMMEDIATE RELEASE

AAMES FINANCIAL CORPORATION REPORTS YEAR-END RESULTS

PAST FISCAL YEAR DEDICATED TO REPOSITIONING THE COMPANY, ENTERING THE FISCAL YEAR WITH STRENGTHENED BALANCE SHEET AND STRONGER CAPITAL BASE

Completes $400 Million Mortgage Loan Securitization in August

LOS ANGELES, CALIFORNIA, SEPTEMBER 3, 1999 - AAMES FINANCIAL CORPORATION (NYSE: AAM), a leader in subprime home equity lending, today reported the results from operations for the fiscal year ended June 30, 1999, reporting as expected, a net loss of $(248) million, or $(8.00) per share (diluted) including the effects of a $194 million write down in the second quarter to reflect revaluation of residual assets on its balance sheet. The Company also announced that as part of its new loan disposition strategy, it successfully completed a $400 million mortgage loan securitization in August, which represents its first securitization since the quarter ended September 30, 1998.

Mani Sadeghi, Aames' Chief Executive Officer, stated, "Last year was a very challenging year for the Company. The specialty finance industry faced extraordinarily difficult operating and capital markets conditions which prompted Aames to take difficult, but necessary, actions to position the Company for long-term growth and profitability.

"From an operational standpoint we took decisive action to streamline operations, reduce costs and strengthen the balance sheet. As a result, we enter the new fiscal year with a more efficient organizational structure and a strengthened capital base. Most importantly the Company obtained an equity investment commitment from Capital Z Financial Services Fund, II, L.P. ("Capital Z") to invest up to $126.5 million in the Company, of which $101.5 million has already been received. This equity investment paved the way to recapitalizing theCompany and making necessary adjustments to our balance sheet.

"In addition to the operational actions taken, management adjusted the assumptions used to value its residual assets during the second fiscal quarter ended December 31, 1998, reflecting negative market conditions, as well as new FASB guidelines, recording a $194 million write down on these assets.

"Finally, the results for the year include a prolonged period during which the Company was effectively precluded from its traditional financing source, the asset backed securities market. From September, 1998 through the end of the past fiscal year, the Company relied on whole loan sales. Gains recorded from whole loan sales are generally lower than the gains recorded for securitizations.

"Our goal going forward is to focus origination activities in our core franchises while implementing a balanced funding strategy using securitization and whole loan sales. The successful completion last month of our first securitization in three quarters represents a significant step in that direction," Sadeghi added.

FINANCIAL RESULTS

The Company reported a net loss of $(248) million, or $(8.00) per share (diluted), for the fiscal year ended June 30, 1999, compared to net income of $28 million, or $0.87 per share (diluted), for the fiscal year ended June 30, 1998. Total revenue for the year, including the effects of the $194 million write down in the second quarter, was ($16.2 million), as compared to $266 million in fiscal 1998. The write down of residual assets was caused in part by negative market conditions which adversely affected the prepayment, loss and discount rate assumptions historically applied by the Company in estimating the value of its residual assets. The Company also changed to the "cash-out" method from the "cash-in" method for the treatment of credit enhancements relating to securitizations in accordance with new FASB guidelines. While the total amount of the revenue recognized over the term of the securitization is the same under either method, the cash-out method results in lower initial gains and higher subsequent loan service revenues. Revenue for the year excluding the write-down was $170 million, down 36% from 1998, reflecting the Company's reliance on whole-loan sales for cash during the last three fiscal quarters of 1999. The decrease in total revenue also reflects the lower gains on sale resulting from the $13.5 million hedge losses on the Company's $650 million securitization closed in the quarter ended September 30, 1998.

The Company sold $1.89 billion of loans in the fiscal year ended June 30, 1999, compared to $2.45 billion in the prior year. Of the total amount of loans sold during the year, $650 million were sold in securitizations and $1.24 billion in whole loan sales for cash, compared to $2.03 billion in securitizations and $416 million in whole loan sales in the prior year. The Company did not complete a securitization during the quarters ended December 31, 1998, March 31, 1999, and June 30, 1999. In August 1999, the Company completed a securitization of $400 million of mortgage loans. A significant amount of the loans sold in the August securitization were comprised of loans held for sale as of June 30, 1999.

Total loan production for the year in the Company's core retail and broker production channels increased by $215 million over 1998's totals. Neil Kornswiet, Aames President, noted, "Loan production growth was hindered by the Company's restricted warehouse capacity during the middle part of the year. Our retail production increased from $636 million in 1998 to $770 million in 1999. The Company's decentralized retail network, which commenced operations in March 1998 contributed to this growth. Broker production increased from $1.1 billion in

1998 to $1.2 billion in 1999. Correspondent production decreased from $646 million in 1998 to $241 million in 1999 reflecting our decision to eliminate bulk purchases because such loans have performed more poorly than loans originated from our core operations and because we have considered the asking prices for these loans to be unattractive."

Compensation expense for the fiscal year ended June 30, 1999, decreased 15.5% to $80.2 million, due primarily to personal reductions on a Company-wide basis. General and administrative costs increased $19.9 million, reflecting increased operating costs resulting from expansion of the company's branch network (some of which was later cut back) and a number of non-recurring increases in legal and other professional costs related primarily to the negotiation and closing of the Company's equity and debt agreements.

The Company also recorded a one-time, nonrecurring charge of $37 million during the year related to servicing advances which are recorded as accounts receivable on the Company's balance sheet. The charge relates to payments made by the Company to the securitization trusts for which it acts as servicer, in accordance with its obligation to advance or loan to the trusts the delinquent interest. The Company, as servicer, is entitled to recover these advances from regular monthly cash flows into the trusts. During the year, the Company determined that a portion of these advances were not recoverable from the trusts' monthly cash flows and as a result, accounts receivable were written down by $37 million.

During 1999, the Company began to explore ways to reduce the cash burden of its servicing advance obligations. During April, the Company entered into a sub-servicing arrangement with a third-party servicer with respect to $388 million of loans. The third party servicer also agreed to make future advances on those loans. In June 1999, the Company entered into an arrangement with an investment bank to purchase outstanding advances against substantially all the Company's pre-1999 securitization trusts and make a significant portion of future servicing advances on those trusts.

Aames Financial Corporation is a leading home equity lender, and currently operates 101 branches serving borrowers in 37 states, plus the District of Columbia. Its broker division operates 35 offices serving 28 states.

SAFE HARBOR STATEMENT:
FROM TIME TO TIME THE COMPANY MAY PUBLISH FORWARD-LOOKING STATEMENTS RELATING TO SUCH MATTERS AS ANTICIPATED FINANCIAL PERFORMANCE, BUSINESS PROSPECTS AND SIMILAR MATTERS. THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 PROVIDES A SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS. IN ORDER TO COMPLY WITH THE TERMS OF THE SAFE HARBOR, THE COMPANY NOTES THAT A VARIETY OF FACTORS COULD CAUSE THE COMPANY'S ACTUAL RESULTS AND EXPERIENCE TO DIFFER MATERIALLY FROM THE ANTICIPATED RESULTS OR OTHER EXPECTATIONS EXPRESSED IN THE COMPANY'S FORWARD-LOOKING STATEMENTS. THE RISKS AND UNCERTAINTIES THAT MAY AFFECT THE OPERATIONS, PERFORMANCE AND RESULTS OF THE COMPANY'S BUSINESS INCLUDE THE FOLLOWING: NEGATIVE CASH FLOWS AND CAPITAL NEEDS; DELINQUENCIES AND LOSSES IN SECURITIZATION TRUSTS; NEGATIVE IMPACT ON CASH FLOW, RIGHT TO TERMINATE MORTGAGE SERVICING; CHANGES IN INTEREST RATE ENVIRONMENT; YEAR 2000 COMPLIANCE AND TECHNOLOGICAL ENHANCEMENT; PREPAYMENT RISK; BASIS RISK; CREDIT RISK; RISK OF ADVERSE CHANGES IN THE SECONDARY MARKET FOR MORTGAGE LOANS; DEPENDENCE ON FUNDING SOURCES; DEPENDENCE ON BROKER NETWORK; RISKS INVOLVED IN COMMERCIAL MORTGAGE LENDING; STRATEGIC ALTERNATIVES; COMPETITION; CONCENTRATION OF OPERATIONS IN CALIFORNIA; TIMING OF LOAN SALES; ECONOMIC CONDITIONS; CONTINGENT RISKS; AND GOVERNMENT REGULATION. FOR A MORE COMPLETE DISCUSSION OF THESE RISKS AND UNCERTAINTIES, SEE "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- RISK FACTORS" IN THE COMPANY'S FORM 10-K FOR THE FISCAL YEAR ENDED JUNE 30, 1999.

AAMES FINANCIAL CORPORATION
QUARTERLY FINANCIAL STATISTICS

<TABLE>
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	THREE MONTHS JUNE		TWELVE MONTHS JUNE	
	1999	1998	1999	1998
ORIGINATION VOLUME				
<S>	<C>	<C>	<C>	<C>
BROKER NETWORK (1)	315,422,000	329,776,000	1,182,135,000	1,101,154,000
RETAIL	136,076,000	178,803,000	638,686,000	634,659,000
RETAIL DIRECT	51,777,000	1,477,000	131,340,000	1,477,000
CORRESPONDENT'	13,337,000	163,884,000	241,475,000	646,348,000
TOTAL	516,612,000	673,940,000	2,193,636,000	2,383,638,000
RETAIL WTD AVG. COMMISSION RATE	4.83%	4.12%	4.10%	4.28%
SERVICING PORTFOLIO (2) (3)			3,841,290,000	4,147,100,000
PORTFOLIO SERVICED IN-HOUSE			3,428,291,000	3,941,100,000
LOAN SALES:				
WHOLE LOANS SOLD	295,012,000	305,000,000	1,236,050,000	416,390,000
SECURITIZATIONS	-	299,985,000	649,999,000	2,034,300,000
TOTAL	295,012,000	604,985,000	1,886,049,000	2,450,690,000
SERVICING SPREAD ON SECURITIZATIONS	-	4.12%	3.61%	4.28%
COMPONENTS OF REVENUE (4)				

GAIN ON SALE OF LOANS	8,190,000	35,884,000	44,855,000	120,828,000
VALUATION (WRITE-DOWN) OF INTEREST-ONLY STRIPS	-	5,682,000	(186,451,000)	19,495,000
COMMISSIONS				
RETAIL	4,343,000	6,529,000	26,437,000	24,893,000
BROKER NETWORK	1,906,000	(66,000)	5,146,000	677,000
OTHER	34,000	670,000	1,451,000	2,094,000
LOAN SERVICE				
SERVICING SPREAD	13,125,000	7,827,000	27,798,000	32,392,000
PREPAYMENT FEES	3,409,000	3,514,000	13,772,000	11,761,000
LATE CHARGES AND OTHER SERVICING FEES	856,000	2,209,000	8,330,000	7,489,000
INTEREST INCOME AND FEES				
CLOSING	26,000	714,000	1,325,000	2,668,000
APPRAISAL	583,000	778,000	2,822,000	2,617,000
UNDERWRITING	559,000	263,000	1,839,000	1,085,000
INTEREST INCOME	10,492,000	8,239,000	35,853,000	40,110,000
OTHER	172,000	(132,000)	670,000	380,000
TOTAL REVENUE INCLUDING WRITE-DOWN	43,695,000	72,111,000	(16,153,000)	266,489,000

<FN>

1 Includes commercial loans

2 Includes loan serviced on an interim basis.

3 Loans serviced as of June 30, 1999 include $84.0M serviced on an interim basis.

4 Revenues for the three months ended June 30, 1998 have been restated. </FN>
</TABLE>

AAMES FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

<TABLE>
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<S>	JUNE 30, 1999 <C>	JUNE 30,1998 <C>
ASSETS		
Cash and cash equivalents	$ 20,764,000	12,322,000
Loans held for sale, at lower of cost or market	559,869,000	198,202,000
Accounts receivable	56,964,000	51,072,000
Interest-only strips, at estimated fair market value	332,327,000	490,542,000
Mortgage servicing rights, net	20,928,000	32,090,000
Equipment and improvements, net	13,495,000	13,939,000
Prepaid and other	15,013,000	17,020,000
Income tax refund receivable	1,737,000	-
Total assets	$ 1,021,097,000	815,187,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Borrowings	$ 281,220,000	286,990,000
Revolving warehouse and repurchase facilities	535,997,000	141,012,000
Accounts payable and accrued expenses	50,505,000	49,964,000
Income taxes payable	7,819,000	33,170,000
Total liabilities	875,541,000	511,136,000
Stockholders' equity:		
Series A Preferred Stock, par value $.001 per share;		

500,000 shares authorized; none outstanding	-	-
Series B Convertible Preferred Stock, par value $.001 per share, 100,000 shares authorized ; 26,704 and -0- shares outstanding	26,704,000	-
Series C Convertible Preferred Stock, par value $.001per share; 100,000 shares authorized; 75,046 and -0- shares outstanding (includes 25,000 shares issued August 3, 1999)	65,475,000	-
Common Stock, par value $.001 per share 50,000,000 shares authorized; 31,016,964 and 30,962,578 shares outstanding	31,000	31,000
Additional paid-in capital	250,116,000	249,851,000
Retained earnings(deficit)	(196,770,000)	54,169,000
Total stockholders' equity	145,556,000	304,051,000
Total liabilities and stockholders' equity	$ 1,021,097,000	815,187,000

</TABLE>

AAMES FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Audited)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	JUNE 30, 1999	JUNE 30, 1998	JUNE 30, 1999	JUNE 30, 1998
		(Restated)		
Revenue:				
<S>	<C>	<C>	<C>	<C>
Gain on sale of loans	$ 8,190,000	35,884,000	44,855,000	120,828,000
Valuation (write-down) of interest-only strips	-	5,682,000	(186,451,000)	19,495,000
Commissions	6,283,000	7,133,000	33,034,000	27,664,000
Loan service	17,390,000	13,550,000	49,900,000	51,642,000
Interest income and fees	11,832,000	9,862,000	42,509,000	46,860,000
Total revenue including write-down	43,695,000	72,111,000	(16,153,000)	266,489,000
Expenses:				
Compensation	14,707,000	24,152,000	80,167,000	94,820,000
Production	9,182,000	11,565,000	40,061,000	34,195,000
General and administrative	22,163,000	12,764,000	60,635,000	40,686,000
Interest	12,330,000	11,361,000	44,089,000	43,982,000
Nonrecurring charges	-	-	37,044,000	-
Total expenses	58,382,000	59,842,000	261,996,000	213,683,000
Income (loss) before income taxes	(14,687,000)	12,269,000	(278,149,000)	52,806,000
Provision(benefit) for income taxes	(600,000)	5,827,000	(30,182,000)	25,243,000
Net income (loss)	$ (14,087,000)	6,442,000	(247,967,000)	27,563,000
Net income(loss) per share:				
Basic	$ (0.46)	0.21	(8.00)	0.97
Diluted	(0.46)	0.20	(8.00)	0.87
Dividends per share	-	0.03	0.03	0.13
Weighted average number of shares outstanding:				
Basic	31,007,000	30,253,000	31,000,000	28,548,000
Diluted	31,007,000	37,233,000	31,000,000	35,749,000

</TABLE>