FORM 8-K

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FINANCIAL ASSET SECURITIES CORP

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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) December 26, 1996

FINANCIAL ASSET SECURITIES CORP., (as depositor under the Pooling and Servicing Agreement, dated as of December 1, 1996, providing for the issuance of Financial Asset Securities Corp., Headlands Home Equity Loan Trust 1996-1, Revolving Home Equity Loan Asset-Backed Certificates, Series 1996-1).

(Exact name of registrant as specified in its charter)

Delaware	333-10273	06-1442010
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

600 Steamboat Road Greenwich, Connecticut	06830
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code (203) 625-2700

Item 5. Other Events

Filing of Computational Materials and Financial Statements of CapMAC.

Pursuant to Rule 424(b) under the Securities Act of 1933, concurrently with, or subsequent to, the filing of this Current Report on Form 8-K (the "Form 8-K"), Financial Asset Securities Corp. (the "Company") is filing a prospectus and prospectus supplement with the Securities and Exchange Commission relating to Headlands Home Equity Loan Trust 1996-1, Revolving Home Equity Loan Asset-Backed Certificates, Series 1996-1 (the "Offered Certificates").

In connection with the offering of the Headlands Home Equity Loan Trust 1996-1, Revolving Home Equity Loan Asset-Backed Certificates, Series 1996-1, Greenwich Capital Markets Inc., as underwriter of the Offered Certificates (the "Underwriter"), has prepared certain materials (the "Computational Materials") for distribution to its potential investors. Although the Company provided the Underwriter with certain information regarding the characteristics of the mortgage loans in the related portfolio, it did not participate in the preparation of the Computational Materials.

For the purposes of this Form 8-K, Computational Materials shall mean computer generated tables and/or charts displaying, with respect to any Class or Classes of Certificates, any of the following: yield; average life; duration; expected maturity; interest rate sensitivity; loss sensitivity; cash flow characteristics; background information regarding the mortgage loans; the proposed structure; decrement tables; or similar information (tabular or otherwise) of a statistical, mathematical, tabular or computational nature. The Computational Materials are attached hereto as Exhibit 99.1.

In connection with the offering of the Headlands Home Equity Loan Trust 1996-1, Revolving Home Equity Loan Asset-Backed Certificates, Series 1996-1, Capital Markets Assurance Corporation ("CapMAC") has provided its Financial Statements as Annex I to the Prospectus Supplement for distribution to potential investors. The Financial Statements are attached hereto as Exhibit 99.2.

Environmental Matters

Federal, state and local laws and regulations impose a wide range of requirements on activities that may affect the environment, health and safety. In certain circumstances, these laws and regulations impose obligations on owners or operators of residential properties such as those subject to the Loans. The failure to comply with such laws and regulations may result in fines and penalties.

Under various federal, state and local laws and regulations, an owner or operator of real estate may be liable for the costs of addressing hazardous substances on, in or beneath such property and related costs. Such liability could exceed the value of the property and the aggregate assets of the owner or operator. In addition, persons who transport or dispose of hazardous substances, or arrange for the transportation, disposal or treatment of hazardous substances, at off-site locations may also be held liable if there are releases or threatened releases of hazardous substances at such off-site locations.

Under the laws of some states and under the federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), contamination of property may give rise to a lien on the property to assure the payment of the costs of clean-up. In several states, such a lien has priority over the lien of an existing mortgage against such property.

Under the laws of some states, and under CERCLA and the federal Solid Waste Disposal Act, there is a possibility that a lender may be held liable as an "owner" or "operator" for costs of addressing releases or threatened releases of hazardous substances at a property, or releases of petroleum from an underground storage tank, under certain circumstances.

Federal, state and local laws and regulations impose a wide range of requirements on activities that may affect the environment, health and safety. These include laws and regulations governing air pollutant emissions, hazardous and toxic substances, impacts to wetlands, leaks from underground storage tanks, and the management, removal and disposal of lead- and asbestos-containing materials. In certain circumstances, these laws and regulations impose obligations on the owners or operators of residential properties such as those subject to the Loans. The failure to comply with such laws and regulations may result in fines and penalties.

Moreover, under various federal, state and local laws and regulations, an owner or operator of real estate may be liable for the costs of addressing hazardous substances on, in or beneath such property and related costs. Such liability may be imposed without regard to whether the owner or operator knew of, or was responsible for, the presence of such substances, and could exceed the value of the property and the aggregate assets of the owner or operator. In addition, persons who transport or dispose of hazardous substances, or arrange for the transportation, disposal or treatment of hazardous substances, at off-site locations may also be held liable if there are releases or threatened releases of hazardous substances at such off-site locations.

In addition, under the laws of some states and under the federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), contamination of property may give rise to a lien on the property to assure the payment of the costs of clean-up. In several states, such a lien has priority over the lien of an existing mortgage against such property. Under CERCLA, such a lien is subordinate to pre-existing, perfected security interests.

Under the laws of some states, and under CERCLA, there is a possibility that a lender may be held liable as an "owner" or "operator" for costs of addressing releases or threatened releases of hazardous substances at a property, regardless of whether or not the environmental damage or threat was caused by a current or prior owner or operator. CERCLA and some state laws provide an exemption from the definition of "owner or operator" for a secured creditor who, without "participating in the management" of a facility, holds indicia of ownership primarily to protect its security interest in the facility. The Solid Waste Disposal Act ("SWDA") provides similar protection to secured creditors in connection with liability for releases of petroleum from certain underground storage tanks. However, if a lender "participates in the management" of the facility in question or is found not to have held its interest primarily to protect a security interest, the lender may forfeit its secured creditor exemption status.

A regulation promulgated by the U.S. Environmental Protection Agency ("EPA") in April 1992 attempted to clarify the activities in which lenders could engage both prior to and subsequent to foreclosure of a security interest without forfeiting the secured creditor exemption under CERCLA. The rule was struck down in 1994 by the United States Court of Appeals for the District of Columbia Circuit in Kelley ex rel State of Michigan v. Environmental Protection Agency, 15 F.3d 1100 (D.C Cir. 1994), reh'g denied, 25 F.3d 1088, cert. denied sub nom. Am. Bankers Ass'n v. Kelley, 115 S.Ct. 900 (1995). Another EPA regulation promulgated in 1995 clarifies the activities in which lenders may engage without forfeiting the secured creditor exemption under the underground storage tank provisions of the SWDA. That regulation has not been struck down.

On September 30, 1996, Congress amended both CERCLA and the SWDA to provide additional clarification regarding the scope of the lender liability exemptions under the two statutes. Among other things, the 1996 amendments specify the circumstances under which a lender will be protected by the CERCLA and SWDA exemptions, both while the borrower is still in possession of the secured property and following foreclosure on the secured property.

Generally, the amendments state that a lender who holds indicia of ownership primarily to protect a security interest in a facility will be considered to participate in management only if, while the borrower is still in possession of the facility encumbered by the security interest, the lender (1) exercises decisionmaking control over environmental compliance related to the facility, such that the lender has undertaken responsibility for hazardous substance handling or disposal practices related to the facility, or (2) exercises control at a level comparable to that of a manager of the facility, such that the person has assumed or manifested responsibility (a) for overall management of the facility encompassing day-to-day decisionmaking with respect to environmental compliance, or (b) over all or substantially all of the operational functions (as distinguished from financial or administrative functions) of the facility other than the function of environmental compliance. The amendments also specify certain activities that are not considered to be "participation in management", including monitoring or enforcing the terms of the extension of credit or security interest, inspecting the facility, and requiring a lawful means of addressing the release or threatened release of a hazardous substance.

The 1996 amendments also specify that a lender who did not participate in management of a facility prior to foreclosure will not be considered an "owner or operator", even if the lender forecloses on the facility and after foreclosure sells or liquidates the facility, maintains business activities, winds up operations, undertakes an appropriate response action, or takes any other measure to preserve, protect, or prepare the facility prior to sale or disposition, if the lender seeks to sell or otherwise divest the facility at the earliest practicable, commercially reasonable time, on commercially reasonable terms, taking into account market conditions and legal and regulatory requirements.

The CERCLA and SWDA lender liability amendments specifically address the potential liability of lenders who hold mortgages or similar conventional security interests in real property, such as the Trust Fund does in connection with the Home Equity Loans and the Home Improvement Contracts. The amendments do not clearly address the potential liability of lenders who retain legal title to a property and enter into an agreement with the purchaser for the payment of the purchase price, and interest, over the term of the contract, such as the Trust Fund does in connection with the Installment Contracts.

If a lender (including a lender under an Installment Contract) is or becomes liable under CERCLA, it may be authorized to bring a statutory action for contribution against any other "responsible parties", including a previous owner or operator. However, such persons or entities may be bankrupt or otherwise judgment proof, and the costs associated with environmental cleanup and related actions may be substantial. Moreover, some state laws imposing liability for addressing hazardous substances do not contain exemptions from liability for lenders. Whether the costs of addressing a release or threatened release at a property pledged as collateral for one of the Loans, or at a property subject to an Installment Contract, would be imposed on the Trust Fund, and thus occasion a loss to the Securityholders, therefore depends on the specific factual and legal circumstances at issue.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Not applicable.

(b) Not applicable.

(c) Exhibits:

99.1. Computational Materials.

99.2. Financial Statements of Capital Markets Assurance Corporation.

99.3 Consent of Independant Certified Accountants

SIGNATURES

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 hereunto duly authorized.

FINANCIAL ASSET SECURITIES CORP.

By:/s/ Brian Bernard

Name: Brian Bernard
Title: Vice President

Dated: December 26, 1996

Exhibit Index

EXHIBIT 99.1

This Preliminary Term Sheet is provided for information purposes only, and does not constitute an offer to sell, nor a solicitation of an offer to buy, the referenced securities. It does not purport to be all-inclusive or to contain all of the information that a prospective investor may require to make a full analysis of the transaction. All amounts are approximate and subject to change. The information contained herein supersedes information contained in any prior information term sheet for this transaction. In addition, the information contained herein may be superseded by information contained in term sheets circulated after the date hereof and is qualified in its entirety by information contained in the Prospectus Supplement for this transaction. An offering may only be made through the delivery of a Prospectus Supplement and the related Prospectus.

PREPARED: 12/24/96

PRELIMINARY TERM SHEET

$125,595,644.60
HEADLANDS HOME EQUITY LOAN TRUST 1996-1
REVOLVING HOME EQUITY LOAN ASSET-BACKED CERTIFICATES, SERIES 1996-1

Class	Amount	WAL (Yrs.)*	Window*	Expected Maturity*	Price Talk	Benchmark
A	$125,595,645	4.8	13-103	TBD	+ 17 to 20	1 M LIBOR
S	$ 0**	NA	NA	TBD	NA	1.00%
Total	$125,595,645					

* SEE "COMPUTATIONAL MATERIALS DISCLAIMER"
** CLASS S NOTIONAL PRINCIPAL BALANCE EQUAL TO THE CLASS A CERTIFICATE BALANCE.

Underwriter:	Greenwich Capital Markets, Inc.
Seller and Servicer:	Headlands Mortgage Company
Depositor:	Financial Asset Securities Corp.
Trustee:	First National Bank of Chicago
Federal Tax Status:	It is anticipated that the Class A and Class S Certificates (the "Certificates") will be treated as debt for federal income tax purposes.
Registration:	The Certificates will be available in book-entry form through DTC.
Expected Pricing Date:	December 24, 1996*
Expected Closing Date:	December 30, 1996*
Expected Settlement Date:	January 3, 1997*
Cut-off Date:	December 1, 1996
Accrued Interest:	Price will include interest accrued from the Closing Date to, but not including, the Settlement Date.
Accrual Period:	Interest will accrue for the first distribution on January 15, 1997 from the Closing Date through January 14, 1997 (actual number of days/360). Thereafter, the accrual period will be from the prior Distribution Date, to but not including, the next subsequent Distribution Date.
Distribution Dates:	15th day of each month (or the next succeeding business day), beginning January 15, 1997.
Credit Enhancement:	Overcollateralization and a surety wrap to be provided by Capital Markets Assurance Corporation ("CapMAC")
Expected Ratings:	Class A Certificates AAA/Aaa, S&P / Moody's (based on CapMAC surety wrap); Class S Certificates AAAr/Aaa, S&P / Moody's (based on CapMAC surety wrap).
ERISA Eligibility:	The Certificates are not EXPECTED TO BE ERISA ELIGIBLE. PROSPECTIVE INVESTORS MUST REVIEW THE PROSPECTUS AND PROSPECTUS SUPPLEMENT AND CONSULT WITH THEIR PROFESSIONAL ADVISORS FOR A MORE DETAILED DESCRIPTION OF THESE MATTERS PRIOR TO INVESTING IN THE CERTIFICATES.

SMMEA Treatment:	The Certificates will not constitute "mortgage related securities" for purposes of SMMEA.
Optional Termination:	10% optional termination provision.
Prepayment Assumption:	30% CPR, 18% Draw Rate.
Mortgage Loans:	The Mortgage Loans will consist of certain adjustable-rate home equity revolving credit line loans ("HELOCs") and certain fixed-rate closed-end home equity loans ("Closed-End Loans"). It is expected that Mortgage Loans (the "Initial Mortgage Loans") having an aggregate principal balance of approximately $128,158,821 will be deposited into the Trust on the Closing Date. Subsequent HELOCs and Closed-End Loans may be purchased by the Trust during the first twelve months of the securitization (the "Funding Period").

* SUBJECT TO CHANGE

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EXPECTED INITIAL MORTGAGE LOANS
COLLATERAL CHARACTERISTICS
(HELOCS AND CLOSED-END LOANS COMBINED)

	Wtd. Avg	Max	Min
Balance:	$34,516	$238,527	$0
WAC:	8.98%	14.25%	5.875%
FICO:	708	815	508
Margin:	2.69%	6.00%	0.25%
WAM:	238 months	300 months	172 months
CLTV:	86.91%	100%	4%
Seasoning:	2.9 months	8 months	0 months

Parameter	%	Geographic	%
Balloon:	0%	California:	87.9%
Fully Am:	18.2%	Washington:	3.2%
		Oregon:	2.6%
5 Yr Draw:	31.0%		
15 Yr Draw:	50.8%	Total States:	11
2nd Lien:	100%		
Single Family:	83%		
2-4 Family:	2%		
Condo:	4%		
PUD:	11%		

SEE ATTACHED COLLATERAL TERM SHEETS.

THE INFORMATION CONTAINED HEREIN WILL BE SUPERSEDED BY THE DESCRIPTION OF THE COLLATERAL IN THE PROSPECTUS SUPPLEMENT.

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THE SELLER AND SERVICER

Headlands Mortgage Company, a California corporation, is a full service mortgage banker engaged in the business of originating, acquiring, selling and servicing residential mortgage loans secured by one- to four-family residential properties. Headlands was incorporated in California in 1986 and currently is licensed as a mortgage banker or registered, as appropriate, in 11 states (including California, Washington, Oregon, and Colorado). As of June 30, 1996, Headlands had originated over 92,000 loans, totaling over $14 billion dollars and a master servicing portfolio of over 24,000 loans totaling over $3.5 billion.

THE TRUST

Headlands Home Equity Loan Trust 1996-1: The Headlands Home Equity Loan Trust (the "Trust") will consist of one class of Class A Certificates, one class of Class S Certificates (the "Offered Certificates"), and the Transferor Interest. The Cut-Off Date Trust Principal Balance will be equal to $128,158,821.02. The aggregate undivided interest in the Trust represented by the Offered Certificates, as of the Closing Date, will represent approximately 98% of the outstanding principal balances of the Trust. The remaining undivided interest in the Trust will be evidenced by the Transferor Interest (approximately 2% of the outstanding principal balances of the Trust, as of the Closing Date). The assets of the Trust will consist of HELOCs (81.8% by dollar amount, as of the Closing Date) and Closed-End Loans (18.2% by dollar amount, as of the Closing Date).

Mortgage Loan Amortization: The Closed-End Loans are 15 year fully amortizing fixed-rate second lien loans. Approximately 38% of the HELOCs have 5 year Draw Periods followed by a 10 year amortization period, while the other 62% have a 15 year Draw Period followed by a 10 year amortization period. Each outstanding HELOC principal balance is fixed at the end of the Draw Period, and then amortized over the subsequent 10 year period. Each HELOC interest rate continues to adjust (on the first of each month) over the life of the loan.

HELOC Interest Rates: 100% Prime-based, monthly re-setting HELOCs. Substantially all of the HELOCs are teased for three months, at a current rate of 5.875%, and float thereafter. The weighted average margin on the HELOCs as of the Cut-off Date is 2.69%, with the margins ranging from 0.25% to 6.00%. All of the HELOCs have an 18.00% Life Cap, and no Periodic Caps.

Prepayment Penalties: Neither the HELOCs nor the Closed-End Loans have prepayment penalties.

Invested Amount: The "Initial Invested Amount" as of the Closing Date will be equal to the Class A Certificate Principal Balance. On any Distribution Date thereafter, the "Invested Amount" will be equal to the Initial Invested Amount less all principal collections distributed to Class A Certificateholders (other than Accelerated Principal Distribution Amounts (defined below)).

THE OFFERED CERTIFICATES

Class A Certificates: The Class A Certificates will initially evidence approximately 98% of the Cut-Off Date Trust Principal Balance. The Class A Certificates receive distributions of principal in the manner described below. The Class A Certificates will receive interest on each Distribution Date based on a variable rate described more fully below.

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Class S Certificates: The Class S Certificates will be interest-only ("IO") certificates which have a notional amount equal to the outstanding Class A Certificateholder Principal Balance as of any Distribution Date. The Class S Certificates will have a fixed rate of interest (subject to limitations described below), distributed in the manner described below.

CREDIT ENHANCEMENT

Credit Enhancement: The Class A Certificateholders and the Class S Certificateholders will have the benefit of the following credit enhancement;

(a) monthly available excess spread;
(b) the Spread Account (described below)
(c) the Overcollateralization Amount (described below);
(d) the Transferor Interest (described below);
(e) the Policy (described below).

Spread Account: Pursuant to the Insurance Agreement, a spread account will be created to be held by the Trustee, for the benefit of the Class A Certificateholders, the Class S Certificateholders and the Certificate Insurer. The spread account will initially be funded with a deposit equal to $1,281,588.21, or 1.00% of the Cut-Off Date Trust Principal Balance. After building any required Overcollateraliztion Required Amounts (as defined below), the Spread Account Balance will grow by an additional $640,794.11, up to a targeted balance of $1,922,382.31, or 1.50% of the Cut-Off Date Trust Principal Balance (the "Required Spread Account Balance"). On each Distribution Date, the Spread Account will be funded with collections (to the extent available) up to the Required Spread Account Balance.

Over - collateralization: Although it is not anticipated that any distribution of principal collections will be made to the Class A Certificateholders during the Funding Period, Class A Certificateholders will be entitled to receive distributions of excess interest collections as principal ("Accelerated Principal Distribution Amounts") up to $1,922,382.31, or 1.50% of the Cut-Off Date Trust Principal Balance, the "Required Overcollateralization Amount". This distribution of interest as principal will have the effect of accelerating the Class A Certificates relative to the underlying Trust assets. On any Distribution Date, the Overcollateralization Amount will be the Amount by which the Invested Amount exceeds the Class A Certificate Balance. On any Distribution Date in which the Invested Amount does not exceed the Class A Certificateholder balance by the Required Overcollateralization Amount, excess interest collections will be distributed as principal to the Class A Certificateholders to increase the Overcollateralization Amount to the Required Overcollateralization Amount.

Transferor Interest: The Transferor will retain approximately 2% of the Cut-Off Date Trust Principal Balance, evidenced by the Transferor Interest. The Transferor Interest will be provide credit support to the Class A Certificateholders and the Class S Certificateholders, should excess spread, the Spread

	Account and the Overcollateralization Amount be insufficient.
The Policy:	Capital Markets Assurance Corporation will issue a certificate insurance policy which will guarantee timely interest and ultimate repayment of principal to the Class A Certificateholders and timely interest to the Class S Certificateholders.

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DISTRIBUTIONS OF PRINCIPAL

Funding Period:	The Funding Period will begin on the Closing Date and continue until the Distribution Date occurring in January 1998. During the Funding Period, all principal collections will be reinvested in (a) additional draws on existing Trust HELOCs, (b) newly originated HELOCs, or in (c) newly originated Closed-End Loans to be sold to the Trust. If cash remains after applying principal collections received during the calendar month occurring prior to the related Distribution Date (each a "Collection Period") to clauses (a), (b) and (c) above, those moneys will be distributed to Class A Certificateholders on each respective Distribution Date during the Funding Period. As long as amounts created under clauses (a), (b) and (c) above equal or exceed principal collected during the Funding Period, no distributions of principal collections will be made to the Class A Certificateholders, unless a Rapid Amortization Event has occurred (as defined below).
Managed Am. Period:	The Managed Amortization Period will begin on the Distribution Date occurring in January 1998 and end on the Distribution Date occurring in December 2002. During the Managed Amortization Period, the Class A Certificateholders will receive the lesser of (a) the Maximum Principal Payment (as defined herein) and (b) the Alternative Principal Payment (as defined herein). The "Maximum Principal Payment" is equal to the Investor Fixed Allocation Percentage (defined below) multiplied by principal collections for such Distribution Date. The "Alternate Principal Payment" is equal to the amount (not less than zero) of principal collection for such Distribution Date less the aggregate of additional draws on existing Trust HELOCs created during such Distribution Date.
Rapid Am. Period:	Commencing no later than the Distribution Date occurring inJanuary 2003 (or earlier, upon the occurrence of a Rapid Amortization Event (as described below)), Class A Certificateholders will receive the lesser of (a) the Maximum Principal Payment and (b) the then outstanding Class A Certificateholder balance.
Investor Fixed Allocation %:	98%.
Rapid Am. Events:	Any of the following events described below: (i) failure of Transferor to remit funds required under the Pooling and Servicing Agreement or the Insurance Agreement (collectively, the Agreements"); (ii) failure of Transferor to observe or perform in any material respect any other covenants of either Agreement which continues unremedied for 60 days after written notice; (iii) any breach of representation and warranty made by the Transferor in either Agreement which adversely

affects the Certificateholders or the Certificate Insurer and is not repurchased in accordance with the provisions of the Pooling and Servicing Agreement within 60 days after written notification of such breach;

(iv) the bankruptcy, insolvency or receivership of the Transferor or any subsidiary or affiliate of the Transferor related to the Trust;

(v) the Trust becomes subject to regulation under the Investment Company Act of 1940;

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(vi) the aggregate of all draws under the Insurance Policy exceeds 1% of the Cut-Off Date Pool Balance.

DISTRIBUTIONS OF INTEREST

Interest Distributions: Interest will be allocated to the Class A Certificateholders and the Class S Certificateholders, sequentially, from the Investor Floating Allocation Percentage of interest collections received with respect to such Distribution Date. The "Investor Floating Allocation Percentage" for any Distribution Date is the percentage equivalent of a fraction determined by dividing (a) the Invested Amount as of the close of business on the prior Distribution Date (or, in the case of the first Distribution Date, as of the Closing Date) and (b) the sum of (x) the pool balance as of the beginning of the related collection period and (y) the amount of principal collected during the related Collection Period. The remainder of the interest received during the Collection Period will be allocated to the Transferor Interest.

Interest will be distributed on the Class A Certificates at a rate equal to the lesser of (a) One Month LIBOR plus [17 to 20] basis points [0.17% to 0.20%], based on the actual number of days elapsed since the prior Distribution Date (or in the case of the Initial Distribution Date, from the Closing Date) and (b) the weighted average net available funds rate. Interest will be distributed on the Class S Certificates at a rate equal to the lesser of (a) 1.00% and (b) the weighted average net available funds rate. The "weighted average net available funds rate" is an amount equal to the weighted average of the Loan Rates minus (i) the Servicing Fee, (ii) the Insurance Premium Fee and (iii) the Trustee Fee (the three fees in total, expected to be approximately [0.71]%). Should Class A Certificateholders or Class S Certificateholders receive an interest amount based on clause (b) above (an "Available Funds Shortfall"), future remaining interest amounts to be distributed to the Transferor Interest will first be allocated to Available Funds Shortfall Amounts outstanding and unpaid, with accrued interest at the applicable Class A or Class S Certificateholder rate.

Class A Decrement Tables: See attached.

Collateral Term Sheets: See attached.

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HEADLANDS MORTGAGE COMPANY

DELINQUENCY AND FORECLOSURE EXPERIENCE
(Loss Info coming)

The following tables set forth information relating to the delinquency and foreclosure experience of Headlands for its servicing portfolio of home equity loans (including home equity loans serviced for others) as of the dates or for the periods indicated.

<TABLE>
<CAPTION>

	DECEMBER 31, 1994		DECEMBER 31, 1995		NOVEMBER 31, 1996	
	Loans	% of Portfolio	Loans	% of Portfolio	Loans	% of Portfolio
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total $ Amount (1)	$ 5,347		$ 4,156		$ 4,231	
Total Number	29,076	100%	27,261	100%	32,623	100%
Delinquencies						
30 - 59 Days	327	1.1%	283	1.0%	426	1.3%
60 - 89 Days	49	0.2%	62	0.2%	68	0.2%
90 Days or more	50	0.2%	47	0.2%	13	0.0%
Total	426	1.5%	392	1.4%	507	1.6%
Foreclosures Pending	102	0.4%	146	0.5%	198	0.6%

</TABLE>

(1) Dollar amount in millions; Total Portfolio has been reduced by the number of loans pending servicing release or loans in foreclosure.
(2) The past due period is based on the actual number of days that a payment is contractually past due. A loan as to which a monthly payment was due 30-59 days prior to the reporting period is considered 30-59 days past due, etc. Excludes foreclosures.

THE ATTACHED MATERIALS ARE PRIVILEGED AND CONFIDENTIAL AND INTENDED FOR USE BY THE ADDRESSEE ONLY. THESE MATERIALS HAVE BEEN PREPARED BY GREENWICH CAPITAL MARKETS, INC. IN RELIANCE ON INFORMATION FURNISHED BY OTHER PARTIES. THEY MAY NOT BE PROVIDED TO ANY THIRD PARTY OTHER THAN THE ADDRESSEEOS LEGAL, TAX, FINANCIAL AND/OR ACCOUNTING ADVISORS FOR THE PURPOSES OF EVALUATING SAID MATERIAL.

ALTHOUGH A REGISTRATION STATEMENT (INCLUDING THE PROSPECTUS) RELATING TO THE SECURITIES DISCUSSED IN THIS COMMUNICATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION AND IS EFFECTIVE, THE FINAL PROSPECTUS SUPPLEMENT RELATING TO THE SECURITIES DISCUSSED IN THIS COMMUNICATION HAS NOT BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THIS COMMUNICATION SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES DISCUSSED IN THIS COMMUNICATION IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE. PROSPECTIVE PURCHASERS ARE REFERRED TO THE FINAL PROSPECTUS SUPPLEMENT RELATING TO THE SECURITIES DISCUSSED IN THIS COMMUNICATION FOR A DEFINITIVE DESCRIPTION OF ANY MATTER DISCUSSED HEREIN. A FINAL PROSPECTUS AND PROSPECTUS SUPPLEMENT MAY BE OBTAINED WHEN AVAILABLE BY CONTACTING GCMOS TRADING DESK AT (203) 625-6160.

PLEASE BE ADVISED THAT THESE SECURITIES MAY NOT BE APPROPRIATE FOR ALL INVESTORS. INVESTORS SHOULD MAKE EVERY EFFORT TO CONSIDER THE RISKS OF THESE SECURITIES.

IF YOU HAVE RECEIVED THIS COMMUNICATION IN ERROR, PLEASE NOTIFY THE SENDING PARTY IMMEDIATELY BY TELEPHONE AND SEND THE ORIGINAL TO SUCH PARTY BY MAIL.

!DESCRIPTION!   Headlands Home Equity Loan Trust 1996-1

!TITLE!   Price-Yield Sensitivity Report

!TRANCHE!   S

!SETT_DATE!   12/30/96
!ASSUMPTIONS_START!

Notional Balance|	$125,595,645
Cut-off Date|	12/01/96
Next Payment Date|	01/15/97
Call|	Yes
Accrued Interest Days|	29
Draw Rate|	18% CPR

!ASSUMPTIONS_END!

!TABLE_DIVIDER_YES!

!COL_TITLE_START!

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<CAPTION>

Flat|Price	0%_CPR	10%_CPR	20%_CPR	25%_CPR	30%_CPR	35%_CPR	40%_CPR
!COL_TITLE_END!							
!TABLE_START!							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
3.474092	28.857	26.193	21.649	16.626	11.387	5.880	-0.023
3.536592	28.284	25.544	20.973	15.937	10.683	5.159	-0.766
3.599092	27.731	24.916	20.317	15.269	10.000	4.459	-1.488
3.661592	27.196	24.306	19.681	14.620	9.338	3.781	-2.187

!TABLE_END!
</TABLE>

Percentage of Original Certificate Principal Balance -
Amortization Schedule(1)(2)

Conditional Prepayment Rate (% CPR)

<TABLE>

<S> Date	<C> 0%	<C> 10%	<C> 20%	<C> 25%	<C> 30%	<C> 35%	<C> 40%
Initial Percentage	100%	100%	100%	100%	100%	100%	100%
12/15/97	98%	98%	98%	98%	98%	98%	98%
12/15/98	98%	98%	93%	88%	70%	76%	70%
12/15/99	98%	98%	89%	78%	50%	59%	50%
12/15/2000	97%	98%	85%	70%	36%	46%	36%
12/15/2001	96%	96%	81%	63%	26%	36%	26%
12/15/2002	95%	95%	78%	57%	18%	28%	18%
12/15/2003	94%	82%	61%	41%	0%	17%	0%
12/15/2004	93%	69%	44%	26%	0%	0%	0%
12/15/2005	92%	56%	27%	13%	0%	0%	0%
12/15/2006	91%	44%	11%	0%	0%	0%	0%
12/15/2007	89%	31%	0%	0%	0%	0%	0%
12/15/2008	87%	19%	0%	0%	0%	0%	0%
12/15/2009	85%	0%	0%	O%	0%	0%	0%
12/15/2010	83%	0%	0%	0%	0%	0%	0%
12/15/2011	42%	0%	0%	0%	0%	0%	0%
12/15/2012	42%	0%	0%	0%	0%	0%	0%
12/15/2013	42%	0%	0%	0%	0%	0%	0%
12/15/2014	42%	0%	0%	0%	0%	0%	0%
12/15/2015	42%	0%	0%	0%	0%	0%	0%
12/15/2016	42%	0%	0%	0%	0%	0%	0%
12/15/2017	42%	0%	0%	0%	0%	0%	0%
12/15/2018	41%	0%	0%	0%	0%	0%	0%
12/15/2019	41%	0%	0%	0%	0%	0%	0%
12/15/2020	41%	0%	0%	0%	0%	0%	0%
12/15/2021	0%	0%	0%	0%	0%	0%	0%
12/15/2022	0%	0%	0%	0%	0%	0%	0%
Weighted Average Life Years	17.81	9.34	7.13	5.80	3.51	4.09	3.51

</TABLE>

(1) Assumes (i) that an optional termination is exercised when the outstanding Certificate Principal Balance is less than or equal to 10% of the Original

Certificate Principal Balance and (ii) a constant draw rate of 18%.
(2) All percentages are rounded to the nearest 1%.

CAPITAL MARKETS ASSURANCE CORPORATION EXHIBIT 99.2

FINANCIAL STATEMENTS

SEPTEMBER 30, 1996

(UNAUDITED)

Capital Markets Assurance Corporation
Balance sheets
(Dollars in thousands)

ASSETS

<TABLE>
<CAPTION>

	September 30, 1996 (Unaudited)	December 31,1995
<S>	<C>	<C>
INVESTMENTS:		
Bonds at fair value (amortized cost $283,996 at September 30, 1996 and $210,651 at December 31, 1995)	$ 284,595	215,706
Short-term investments (at amortized cost which approximates fair value)	23,081	68,646
Total investments	307,676	284,352
Cash	514	344
Accrued investment income	3,604	3,136
Deferred acquisition costs	42,350	35,162
Premiums receivable	4,068	3,540
Prepaid reinsurance	17,801	13,171
Other assets	4,194	3,428
TOTAL ASSETS	$ 380,207	343,133

<CAPTION>

LIABILITIES AND STOCKHOLDER'S EQUITY

<S>	<C>	<C>
LIABILITIES:		
Unearned premiums	$ 61,410	45,767
Reserve for losses and loss adjustment expenses	9,602	6,548
Ceded reinsurance	2,455	2,469
Accounts payable and other accrued expenses	12,446	10,844
Current income taxes	-	136
Deferred income taxes	13,608	11,303
Total liabilities	99,521	77,067
STOCKHOLDER'S EQUITY:		
Common stock	15,000	15,000
Additional paid-in capital	208,475	205,808
Unrealized appreciation on investments, net of tax	389	3,286
Retained earnings	56,822	41,972
Total stockholder's equity	280,686	266,066
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 380,207	343,133

</TABLE>

See accompanying notes to financial statements.

CAPITAL MARKETS ASSURANCE CORPORATION
STATEMENTS OF INCOME
(UNAUDITED)
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	Three Months Ended September 30		Nine months Ended September 30	
	1996	1995	1996	1995
REVENUES:				
Direct premiums written	$ 17,206	12,204	49,983	45,042
Assumed premiums written	8	102	1,032	925
Ceded premiums written	(4,129)	(6,188)	(11,142)	(11,834)
Net premiums written	13,085	6,118	39,873	34,133
(Increase) decrease in unearned premiums	(3,042)	1,193	(11,014)	(12,418)
Net premiums earned	10,043	7,311	28,859	21,715
Net investment income	4,307	3,013	12,296	8,606
Net realized capital gains (loss)	(57)	364	111	449
Other income	25	14	104	38
Total revenues	14,318	10,702	41,370	30,808
EXPENSES:				
Losses and loss adjustment expenses	1,248	821	3,432	2,279
Underwriting and operating expenses	3,780	2,563	11,142	9,939
Policy acquisition costs	2,126	2,022	6,249	5,481
Total expenses	7,154	5,406	20,823	17,699
Income before income taxes	7,164	5,296	20,547	13,109
INCOME TAXES:				
Current federal income tax	1,027	231	3,008	895
Deferred federal income tax	718	1,280	2,689	2,256
Total income taxes	1,745	1,511	5,697	3,151
NET INCOME	$ 5,419	3,785	14,850	9,958

</TABLE>

See accompanying notes to financial statements.

CAPITAL MARKETS ASSURANCE CORPORATION
STATEMENT OF STOCKHOLDER'S EQUITY
(UNAUDITED)
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	Nine Months Ended September 30, 1996
COMMON STOCK:	
Balance at beginning of period	$ 15,000
Balance at end of period	15,000
ADDITIONAL PAID-IN CAPITAL:	
Balance at beginning of period	205,808
Capital contribution	2,667
Balance at end of period	208,475
UNREALIZED (DEPRECIATION) APPRECIATION ON INVESTMENTS, NET OF TAX:	
Balance at beginning of period	3,286
Unrealized depreciation on investments	(2,897)
Balance at end of period	389
RETAINED EARNINGS:	
Balance at beginning of period	41,972
Net income	14,850
Balance at end of period	56,822
TOTAL STOCKHOLDER'S EQUITY	$ 280,686

==
</TABLE>

See accompanying notes to financial statements.

CAPITAL MARKETS ASSURANCE CORPORATION
STATEMENT OF CASH FLOWS
(UNAUDITED)
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30, 1996	NINE MONTHS ENDED SEPTEMBER 30, 1995
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 14,850	9,958
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Reserve for losses and loss adjustment expenses	3,054	1,474
Unearned premiums	15,643	17,982
Deferred acquisition costs	(7,188)	(6,981)
Premiums receivable	(528)	81
Accrued investment income	(468)	63
Income taxes payable	2,341	2,447
Net realized capital gains	(111)	(449)
Accounts payable and other accrued expenses	5,445	3,456
Prepaid reinsurance	(4,630)	(5,564)
Other, net	(381)	2,253
Total adjustments	13,177	14,762
NET CASH PROVIDED BY OPERATING ACTIVITIES	28,027	24,720
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(154,308)	(109,235)
Proceeds from sale of investments	35,388	38,577
Proceeds from maturities of investments	91,063	37,361
NET CASH USED IN INVESTING ACTIVITIES	(27,857)	(33,297)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Paid-in capital	-	9,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	9,000
Net increase in cash	170	423
Cash balance at beginning of period	344	85
CASH BALANCE AT END OF PERIOD	$ 514	508
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Income taxes paid	$ 3,225	650
Tax and loss bonds purchased	$ 131	54

</TABLE>

See accompanying notes to financial statements.

CAPITAL MARKETS ASSURANCE CORPORATION
NOTES TO UNAUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 1996

1. BACKGROUND

Capital Markets Assurance Corporation ("CapMAC") is a New York-domiciled monoline stock insurance company which engages only in the business of financial guaranty and surety insurance. CapMAC is a wholly-owned subsidiary of CapMAC Holdings Inc. ("Holdings"). CapMAC is licensed in all 50 states in addition to the District of Columbia, the Commonwealth of Puerto Rico and the territory of Guam. CapMAC insures structured asset-backed, corporate, municipal and other financial obligations in the U.S. and international capital markets. CapMAC also provides financial guaranty reinsurance for structured asset-backed, corporate, municipal and other financial obligations written by other major insurance companies.

CapMAC's claims-paying ability is rated triple-A by Moody's Investors Service, Inc., Standard & Poor's Ratings Services, Duff & Phelps Credit

Rating Co., and Nippon Investors Service, Inc., a Japanese rating agency. Such ratings reflect only the views of the respective rating agencies, are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by such rating agencies.

2. BASIS OF PRESENTATION
CapMAC's unaudited interim financial statements have been prepared on the basis of generally accepted accounting principles and, in the opinion of management, reflect all adjustments necessary for a fair presentation of the CapMAC's financial condition, results of operations and cash flows for the periods presented. The results of operations for the nine months ended September 30, 1996 may not be indicative of the results that may be expected for the full year ending December 31, 1996. These financial statements and notes should be read in conjunction with the financial statements and notes included in the audited financial statements of CapMAC as of December 31, 1995 and 1994, and for each of the years in the three-year period ended December 31, 1995.

3. RECLASSIFICATIONS
Certain prior period balances have been reclassified to conform to the current period presentation.

CAPITAL MARKETS ASSURANCE CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 1995, 1994 AND 1993

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

[LOGO] KPMG PEAT MARWICK LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Directors
Capital Markets Assurance Corporation:

We have audited the accompanying balance sheets of Capital Markets Assurance Corporation as of December 31, 1995 and 1994 and the related statements of income, stockholder's equity and cash flows for each of the years in the three-year period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Markets Assurance Corporation as of December 31, 1995 and 1994 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1995 in conformity with generally accepted accounting principles.

As discussed in note 2, the Company changed its method of accounting for investments to adopt the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," at December 31, 1993.

/s/ KPMG Peat Marwick LLP

January 25, 1996

Capital Markets Assurance Corporation
Balance Sheets
(Dollars in thousands)

ASSETS

	December 31 1995	December 31 1994
INVESTMENTS:		
Bonds at fair value (amortized cost $210,651 at December 31, 1995 and $178,882 at December 31, 1994)	$ 215,706	172,016
Short-term investments (at amortized cost which approximates fair value)	68,646	2,083
Mutual funds at fair value (cost $16,434 at December 31, 1994)	-	14,969
Total investments	284,352	189,068
Cash	344	85
Accrued investment income	3,136	2,746
Deferred acquisition costs	35,162	24,860
Premiums receivable	3,540	3,379
Prepaid reinsurance	13,171	5,551
Other assets	3,428	3,754
Total assets	$ 343,133	229,443

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES:		
Unearned premiums	$ 45,767	25,905
Reserve for losses and loss adjustment expenses	6,548	5,191
Ceded reinsurance	2,469	1,497
Accounts payable and other accrued expenses	10,844	10,372
Current income taxes	136	-
Deferred income taxes	11,303	3,599
Total liabilities	77,067	46,564
STOCKHOLDER'S EQUITY:		
Common stock	15,000	15,000
Additional paid-in capital	205,808	146,808
Unrealized appreciation (depreciation) on investments, net of tax	3,286	(5,499)
Retained earnings	41,972	26,570
Total stockholder's equity	266,066	182,879
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 343,133	229,443

See accompanying notes to financial statements.

CAPITAL MARKETS ASSURANCE CORPORATION
STATEMENTS OF INCOME
(DOLLARS IN THOUSANDS)

	Year Ended December 31, 1995	Year Ended December 31,1994	Year Ended December 31, 1993
REVENUES:			
Direct premiums written	$ 56,541	43,598	24,491
Assumed premiums written	935	1,064	403
Ceded premiums written	(15,992)	(11,069)	(3,586)
Net premiums written	41,484	33,593	21,308
Increase in unearned premiums	(12,242)	(10,490)	(3,825)
Net premiums earned	29,242	23,103	17,483
Net investment income	11,953	10,072	10,010
Net realized capital gains	1,301	92	1,544
Other income	2,273	120	354

Total revenues	44,769	33,387	29,391
EXPENSES:			
Losses and loss adjustment expenses	3,141	1,429	902
Underwriting and operating expenses	13,808	11,833	11,470
Policy acquisition costs	7,203	4,529	2,663
Total expenses	24,152	17,791	15,035
Income before income taxes	20,617	15,596	14,356
INCOME TAXES:			
Current income tax	2,113	865	1,002
Deferred income tax	3,102	2,843	2,724
Total income taxes	5,215	3,708	3,726
NET INCOME	$ 15,402	11,888	10,630

</TABLE>

See accompanying notes to financial statements.

CAPITAL MARKETS ASSURANCE CORPORATION
STATEMENTS OF STOCKHOLDER'S EQUITY
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

<S>	Year Ended December 31,1995 <C>	Year Ended December 31, 1994 <C>	Year Ended December 31, 1993 <C>
COMMON STOCK:			
Balance at beginning of period	$ 15,000	15,000	15,000
Balance at end of period	15,000	15,000	15,000
ADDITIONAL PAID-IN CAPITAL:			
Balance at beginning of period	146,808	146,808	146,808
Paid-in capital	59,000	-	-
Balance at end of period	205,808	146,808	146,808
UNREALIZED (DEPRECIATION) APPRECIATION ON INVESTMENTS, NET OF TAX:			
Balance at beginning of period	(5,499)	3,600	-
Unrealized appreciation (depreciation) on investments	8,785	(9,099)	3,600
Balance at end of period	3,286	(5,499)	3,600
RETAINED EARNINGS:			
Balance at beginning of period	26,570	14,682	4,052
Net income	15,402	11,888	10,630
Balance at end of period	41,972	26,570	14,682
TOTAL STOCKHOLDER'S EQUITY	$ 266,066	182,879	180,090

</TABLE>

See accompanying notes to financial statements.

CAPITAL MARKETS ASSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
(DOLLAR IN THOUSANDS)

<TABLE>
<CAPTION>

<S>	Year Ended December 31, 1995 <C>	Year Ended December 31, 1994 <C>	Year Ended December 31, 1993 <C>

CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 15,402	11,888	10,630
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Reserve for losses and loss adjustment expenses	1,357	1,429	902
Unearned premiums	19,862	15,843	4,024
Deferred acquisition costs	(10,302)	(9,611)	(9,815)
Premiums receivable	(161)	(2,103)	(432)
Accrued investment income	(390)	(848)	(110)
Income taxes payable	3,621	2,611	2,872
Net realized capital gains	(1,301)	(92)	(1,544)
Accounts payable and other accrued expenses	472	3,726	1,079
Prepaid reinsurance	(7,620)	(5,352)	(199)
Other, net	992	689	1,201
Total adjustments	6,530	6,292	(2,022)
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,932	18,180	8,608
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of investments	(158,830)	(77,980)	(139,061)
Proceeds from sales of investments	49,354	39,967	24,395
Proceeds from maturities of investments	28,803	19,665	106,042
NET CASH USED IN INVESTING ACTIVITIES	(80,673)	(18,348)	(8,624)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Capital contribution	59,000	-	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	59,000	-	-
Net increase (decrease) in cash	259	(168)	(16)
Cash balance at beginning of period	85	253	269
CASH BALANCE AT END OF PERIOD	$ 344	85	253
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Income taxes paid	$ 1,450	1,063	833

</TABLE>

See accompanying notes to financial statements.

Capital Markets Assurance Corporation
Notes to Financial Statements
December 31, 1995 and 1994

1) BACKGROUND

Capital Markets Assurance Corporation ("CapMAC" or "the Company") is a New York-domiciled monoline stock insurance company which engages only in the business of financial guarantee and surety insurance. CapMAC is a wholly owned subsidiary of CapMAC Holdings Inc. ("Holdings"). CapMAC is licensed in all 50 states in addition to the District of Columbia, the Commonwealth of Puerto Rico and the territory of Guam. CapMAC insures structured asset-backed, corporate, municipal and other financial obligations in the U.S. and international capital markets. CapMAC also provides financial guarantee reinsurance for structured asset-backed, corporate, municipal and other financial obligations written by other major insurance companies.

CapMAC's claims-paying ability is rated "Aaa" by Moody's Investors Service, Inc. ("Moody's"), "AAA" by Standard & Poor's Ratings Group ("S&P"), "AAA" by Duff & Phelps Credit Rating Co. ("Duff & Phelps"), and "AAA" by Nippon Investors Service, Inc., a Japanese rating agency. Such ratings reflect only the views of the respective rating agencies, are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by such rating agencies.

2) SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies used in the preparation of the accompanying financial statements are as follows:

a) BASIS OF PRESENTATION
The accompanying financial statements are prepared on the basis of generally accepted accounting principles ("GAAP"). Such accounting principles differ from statutory reporting practices used by insurance companies in reporting to state regulatory authorities.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes the most significant estimates relate to deferred acquisition costs, reserve for losses and loss adjustment expenses and disclosures of financial guarantees outstanding. Actual results could differ from those estimates.

b) INVESTMENTS

At December 31, 1993, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Under SFAS No. 115, the Company can classify its debt and marketable equity securities in one of three categories: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities in which the Company has the ability and intent to hold the securities until maturity. All other securities not included in trading or held-to-maturity are classified as available-for-sale. As of December 31, 1995 and 1994, all of the Company's securities have been classified as available-for-sale.

Available-for-sale securities are recorded at fair value. Fair value is based upon quoted market prices. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of stockholder's equity until realized. Transfers of securities between categories are recorded at fair value at the date of transfer.

A decline in the fair value of any available-for-sale security below cost that is deemed other than temporary is charged to earnings resulting in the establishment of a new cost basis for the security.

Short-term investments are those investments having a maturity of less than one year at purchase date. Short-term investments are carried at amortized cost which approximates fair value.

Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to yield using the effective interest method. Dividend and interest income are recognized when earned. Realized gains and losses are included in earnings and are derived using the FIFO (first-in, first-out) method for determining the cost of securities sold.

c) REVENUE RECOGNITION
Premiums which are payable monthly to CapMAC are reflected in income when due, net of amounts payable to reinsurers. Premiums which are payable quarterly, semi-annually or annually are reflected in income, net of amounts payable to reinsurers, on an equal monthly basis over the corresponding policy term. Premiums that are collected as a single premium at the inception of the policy and have a term longer than one year are earned, net of amounts payable to reinsurers, by allocating premium to each bond maturity based on the principal amount and earning it straight-line over the term of each bond maturity. For the year ended December 31, 1995, 91% of net premiums earned were attributable to premiums payable in installments and 9% were attributable to premiums collected on an up-front basis.

d) DEFERRED ACQUISITION COSTS
Certain costs incurred by CapMAC, which vary with and are primarily related to the production of new business, are deferred. These costs include direct and indirect expenses related to underwriting, marketing and policy issuance, rating agency fees and premium taxes. The deferred acquisition costs are amortized over the period in proportion to the related premium earnings. The actual amount of premium earnings may differ from projections due to various factors such as renewal or early

termination of insurance contracts or different run-off patterns of exposure resulting in a corresponding change in the amortization pattern of the deferred acquisition costs.

e) RESERVE FOR LOSSES AND LOSS ADJUSTMENT EXPENSES
The reserve for losses and loss adjustment expenses consists of a Supplemental Loss Reserve ("SLR") and a case basis loss reserve. The SLR is established based on expected levels of defaults resulting from credit failures on currently insured issues. This SLR is based on estimates of the portion of earned premiums required to cover those claims.

A case basis loss reserve is established for insured obligations when, in the judgement of management, a default in the timely payment of debt service is imminent. For defaults considered temporary, a case basis loss reserve is established in an amount equal to the present value of the anticipated defaulted debt service payments over the expected period of default. If the default is judged not to be temporary, the present value of all remaining defaulted debt service payments is recorded as a case basis loss reserve. Anticipated salvage recoveries are considered in establishing case basis loss reserves when such amounts are reasonably estimable.

Management believes that the current level of reserves is adequate to cover the estimated liability for claims and the related adjustment expenses with respect to financial guaranties issued by CapMAC. The establishment of the appropriate level of loss reserves is an inherently uncertain process involving numerous estimates and subjective judgments by management, and therefore there can be no assurance that losses in CapMAC's insured portfolio will not exceed the loss reserves.

f) DEPRECIATION
Leasehold improvements, furniture and fixtures are being depreciated over the lease term or useful life, whichever is shorter, using the straight-line method.

g) INCOME TAXES
Deferred income taxes are provided with respect to temporary differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

h) RECLASSIFICATIONS
Certain prior year balances have been reclassified to conform to the current year presentation.

3) INSURED PORTFOLIO
At December 31, 1995 and 1994, the principal amount of financial obligations insured by CapMAC was $16.9 billion and $11.6 billion, respectively, and net of reinsurance (net principal outstanding), was $12.6 billion and $9.4 billion, respectively, with a weighted average life of 6.0 years and 5.0 years, respectively. CapMAC's insured portfolio was broadly diversified by geographic distribution and type of insured obligations, with no single insured obligation in excess of statutory single risk limits, after giving effect to any reinsurance and collateral, which are a function of CapMAC's statutory qualified capital (the sum of statutory capital and surplus and mandatory contingency reserve). At December 31, 1995 and 1994, the statutory qualified capital was approximately $240 million and $170 million, respectively.

<TABLE>
<CAPTION>

	Net Principal Outstanding			
	December 31, 1995		December 31, 1994	
Type of Obligations Insured ($ in millions)	Amount	%	Amount	%
<S>	<C>	<C>	<C>	<C>

Consumer receivables	$ 6,959	55.1	$4,740	50.4
Trade and other corporate obligations	4,912	38.9	4,039	43.0
Municipal/government obligations	757	6.0	618	6.6
TOTAL	$12,628	100.0	$9,397	100.0

</TABLE>

At December 31, 1995, approximately 85% of CapMAC's insured portfolio was comprised of structured asset-backed transactions. Under these structures, a pool of assets covering at least 100% of the principal amount guaranteed under its insurance contract is sold or pledged to a special purpose bankruptcy remote entity. CapMAC's primary risk from such insurance contracts is the impairment of cash flows due to delinquency or loss on the underlying assets. CapMAC, therefore, evaluates all the factors affecting past and future asset performance by studying historical data on losses, delinquencies and recoveries of the underlying assets. Each transaction is reviewed to ensure that an appropriate legal structure is used to protect against the bankruptcy risk of the originator of the assets. Along with the legal structure, an additional level of first loss protection is also created to protect against losses due to credit or dilution. This first level of loss protection is usually available from reserve funds, excess cash flows, overcollateralization, or recourse to a third party. The level of first loss protection depends upon the historical losses and dilution of the underlying assets, but is typically several times the normal historical loss experience for the underlying type of assets.

During 1995, the Company sold without recourse its interest in potential cash flows from transactions included in its insured portfolio and recognized $2,200,000 of income which has been included in other income in the accompanying financial statements.

The following entities each accounted for, through referrals and otherwise, 10% or more of total revenues for each of the periods presented:

Year Ended December 31, 1995		Year Ended December 31, 1994		Year Ended December 31, 1993	
Name	% of Revenues	Name	% of Revenues	Name	% of Revenues
Citicorp	15.2	Citicorp	16.3	Citicorp	13.7
				Merrill Lynch & Co.	14.1

4) INVESTMENTS

At December 31, 1995 and 1994, all of the Company's investments were classified as available-for-sale securities. The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair value for available-for-sale securities by major security type at December 31, 1995 and 1994 were as follows ($ in thousands):

<TABLE>
<CAPTION>
December 31, 1995

Securities Available-for-Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
U.S. Treasury obligations	$ 4,153	55	-	4,208
Mortgage-backed securities of U.S. government instrumentalities and agencies	100,628	313	79	100,862
Obligations of states, municipalities and political subdivisions	166,010	4,809	82	170,737
Corporate and asset-backed securities	8,506	45	6	8,545
TOTAL	$ 279,297	5,222	167	284,352

<CAPTION>
December 31, 1994

Securities Available-for-Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury obligations	$ 4,295	-	153	4,142
Mortgage-backed securities of U.S. government instrumentalities and agencies	40,973	-	2,986	37,987
Obligations of states, municipalities and political subdivisions	128,856	364	3,994	125,226
Corporate and asset-backed securities	6,841	15	112	6,744
Mutual Funds	16,434	-	1,465	14,969
TOTAL	$ 197,399	379	8,710	189,068

The Company's investment in mutual funds in 1994 represents an investment in an open-end management investment company which invests primarily in investment-grade fixed-income securities denominated in foreign and United States currencies.

The amortized cost and estimated fair value of investments in debt securities at december 31, 1995 by contractual maturity are shown below ($ in thousands):

December 31, 1995

Securities Available-for-Sale	Amortized Cost	Estimated Fair Value
Less than one year to maturity	$ 5,569	5,572
One to five years to maturity	37,630	38,553
Five to ten years to maturity	99,567	102,264
Greater than ten years to maturity	35,903	37,101
Sub-total	178,669	183,490
Mortgage-backed securities	100,628	100,862
TOTAL	$ 279,297	284,352

Actual maturities may differ from contractual maturities because borrowers may call or prepay obligations with or without call or prepayment penalties.

Proceeds from sales of investment securities were approximately $49 million, $40 million and $24 million in 1995, 1994 and 1993, respectively. Gross realized capital gains of $1,320,000, $714,000 and $1,621,000, and gross realized capital losses of $19,000, $622,000 and $77,000 were realized on those sales for the years ended December 31, 1995, 1994 and 1993, respectively.

Investments include bonds having a fair value of approximately $3,985,000 and $3,873,000 (amortized cost of $3,970,000 and $4,011,000) which are on deposit by law.

Investment income is comprised of interest and dividends, net of related expenses, and is applicable to the following sources:

$ in thousands	Year Ended December 31, 1995	Year Ended December 31, 1994	Year Ended December 31, 1993
BONDS	$11,105	9,193	7,803
SHORT-TERM INVESTMENTS	1,245	484	572
MUTUAL FUNDS	(162)	579	1,801
INVESTMENT EXPENSES	(235)	(184)	(166)
TOTAL	$11,953	10,072	10,010

</TABLE>

The change in unrealized appreciation (depreciation) on available-for-sale securities is included in a separate component of stockholder's equity as shown below:

$ in thousands	Year Ended December 31, 1995	Year Ended December 31, 1994
Balance at beginning of period	$ (5,499)	3,600
Change in unrealized appreciation (depreciation)	13,386	(13,786)
Income tax effect	(4,601)	4,687
Net change	8,785	(9,099)
BALANCE AT END OF PERIOD	$ 3,286	(5,499)

No single issuer, except for investments in U.S. Treasury and U.S. government agency securities, exceeds 10% of stockholder's equity as of December 31, 1995.

5) DEFERRED ACQUISITION COSTS
The following table reflects acquisition costs deferred by CapMAC and amortized in proportion to the related premium earnings:

$ in thousands	Year Ended December 31, 1995	Year Ended December 31, 1994	Year Ended December 31, 1993
Balance at beginning of period	$ 24,860	15,249	5,434
Additions	17,505	14,140	12,478
Amortization (policy acquisition costs)	(7,203)	(4,529)	(2,663)
BALANCE AT END OF PERIOD	$ 35,162	24,860	15,249

6) EMPLOYEE BENEFITS
On June 25, 1992, CapMAC entered into a Service Agreement with CapMAC Financial Services, Inc. ("CFS"), which was then a newly formed wholly owned subsidiary of Holdings. Under the Service Agreement, CFS has agreed to provide various services, including underwriting, reinsurance, data processing and other services to CapMAC in connection with the operation of CapMAC's insurance business. CapMAC pays CFS an arm's length fee for providing such services, but not in excess of CFS's cost for such services. CFS incurred, on behalf of CapMAC, total compensation expenses, excluding bonuses, of $13,484,000, $11,081,000 and $9,789,000 in 1995, 1994 and 1993, respectively.

CFS maintains an incentive compensation plan for its employees. The plan is an annual discretionary bonus award based upon Holdings' and an individual's performance. CFS also has a health and welfare plan and a 401(k) plan to cover substantially all of its employees. CapMAC reimburses CFS for all out-of-pocket expenses incurred by CFS in providing services to CapMAC, including awards given under the incentive compensation plan and benefits provided under the health and welfare plan. For the years ended December 31, 1995, 1994 and 1993, the Company had provided approximately $7,804,000, $5,253,000 and $3,528,000, respectively, for the annual discretionary bonus plan.

On June 25, 1992, certain officers of CapMAC were granted 182,633 restricted stock units ("RSU") at $13.33 a share in respect of certain deferred compensation. On December 7, 1995, the RSU's were converted to cash in the amount of approximately $3.7 million, and such officers agreed to defer receipt of such cash amount in exchange for receiving the same number of new shares of restricted stock of Holdings as the number of RSU's such officers previously held. The cash amount will be held by Holdings and invested in accordance with certain guidelines. Such amount, including the investment earnings thereon, will be paid to each officer upon the occurrence of certain events but no later than December, 2000.

7) EMPLOYEE STOCK OWNERSHIP PLAN

On June 25, 1992, Holdings adopted an Employee Stock Ownership Plan ("ESOP") to provide its employees the opportunity to obtain beneficial interests in the stock of Holdings through a trust (the "ESOP Trust"). The ESOP Trust purchased 750,000 shares at $13.33 per share of Holdings' stock. The ESOP Trust financed its purchase of common stock with a loan from Holdings in the amount of $10 million. The ESOP loan is evidenced by a promissory note delivered to Holdings. An amount representing unearned employee compensation, equivalent in value to the unpaid balance of the ESOP loan, is recorded as a deduction from stockholder's equity (unallocated ESOP shares).

CFS is required to make contributions to the ESOP Trust, which enables the ESOP Trust to service its loan to Holdings. The ESOP expense is calculated using the shares allocated method. Shares are released for allocation to the participants and held in trust for the employees based upon the ratio of the current year's principal and interest payment to the sum of principal and interest payments estimated over the life of the loan. As of December 31, 1995 approximately 262,800 shares were allocated to the participants. Compensation expense related to the ESOP was approximately $2,087,000, $2,086,000 and $1,652,000 for the years ended December 31, 1995, 1994 and 1993, respectively.

8) RESERVE FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

The reserve for losses and loss adjustment expenses consists of a case basis loss reserve and the SLR.

In 1995 CapMAC incurred its first claim on a financial guarantee policy. Based on its current estimate, the company expects the aggregate amount of claims and related expenses not to exceed $2.7 million, although no assurance can be given that such claims and related expenses will not exceed that amount. Such loss amount was covered through a recovery under a quota share reinsurance agreement of $0.2 million and a reduction in the SLR of $2.5 million. The portion of such claims and expenses not covered under the quota share agreement is being funded through payments to capmac from the Lureco Trust Account (see note 12).

The following is a summary of the activity in the case basis loss reserve account and the components of the liability for losses and loss adjustment expenses ($ in thousands):

CASE BASIS LOSS RESERVE:

<TABLE>

<S>	<C>
Net balance at January 1, 1995	$ -
INCURRED RELATED TO:	
Current year	2,473
Prior years	-
Total incurred	2,473
PAID INCURRED TO:	
Current year	1,853
Prior years	-
Total paid	1,853
Balance at December 31, 1995	620
Reinsurance recoverable	69
Supplemental loss reserve	5,859
TOTAL	$ 6,548

</TABLE>

9) INCOME TAXES

Pursuant to a tax sharing agreement with Holdings, the Company is included in Holdings' consolidated U.S. Federal income tax return. The Company's annual Federal income tax liability is determined by computing its pro rata share of the consolidated group Federal income tax liability.

Total income tax expense differed from the amount computed by applying the U.S. Federal income tax rate of 35% in 1995 and 34% in 1994 and 1993:

<TABLE>
<CAPTION>

$ in thousands	Year Ended December 31, 1995 Amount	%	Year Ended December 31, 1994 Amount	%	Year Ended December 31, 1993 Amount	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Expected tax expense computed at the statutory rate	$ 7,216	35.0	$ 5,303	34.0	$ 4,881	34.0
Increase (decrease) in tax resulting from:						
Tax-exempt interest	(2,335)	(11.3)	(1,646)	(10.6)	(1,140)	(7.9)
Other, net	334	1.6	51	0.4	(15)	(0.1)
TOTAL INCOME TAX EXPENSE	$ 5,215	25.3	$ 3,708	23.8	$ 3,726	26.0

</TABLE>

The tax effects of temporary differences that give rise to significant portions of the deferred Federal income tax liability are as follows:

<TABLE>
<CAPTION>

$ in thousands	December 31, 1995	December 31, 1994
<S>	<C>	<C>
DEFERRED TAX ASSETS:		
Unrealized capital losses on investments	$ -	(2,833)
Deferred compensation	(1,901)	(1,233)
Losses and loss adjustment expenses	(1,002)	(936)
Unearned premiums	(852)	(762)
Other, net	(98)	(228)
Total gross deferred tax assets	(3,853)	(5,992)
DEFERRED TAX LIABILITIES:		
Deferred acquisition costs	12,307	8,453
Unrealized capital gains on investments	1,769	-
Deferred capital gains on investments	654	726
Other, net	426	412
Total gross deferred tax liabilities	15,156	9,591
NET DEFERRED TAX LIABILITY	$ 11,303	3,599

</TABLE>

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. Management believes that the deferred tax assets will be fully realized in the future.

10) INSURANCE REGULATORY RESTRICTIONS

CapMAC is subject to insurance regulatory requirements of the State of New York and other states in which it is licensed to conduct business. Generally, New York insurance laws require that dividends be paid from earned surplus and restrict the amount of dividends in any year that may be paid without obtaining approval for such dividends from the Superintendent of Insurance to the lower of (i) net investment income as defined or (ii) 10% of statutory surplus as of December 31 of the preceding year. No dividends were paid by CapMAC to Holdings during the years ended December 31, 1995, 1994 and 1993. No dividends could be paid during these periods because CapMAC had negative earned surplus. Statutory surplus at December 31, 1995 and 1994 was approximately $195,018,000 and $139,739,000, respectively. Statutory surplus differs from stockholder's equity determined under GAAP principally due to the mandatory contingency reserve required for statutory accounting purposes and differences in accounting for investments, deferred acquisition costs, SLR and deferred taxes provided under GAAP. Statutory net income was $9,000,000, $4,543,000 and $4,528,000 for the years ended December 31, 1995, 1994 and 1993, respectively. Statutory net income differs from net income determined under GAAP principally due to deferred acquisition costs, SLR and deferred income taxes.

11) COMMITMENTS AND CONTINGENCIES

On January 1, 1988, the Company assumed from Citibank, N.A. the obligations of a sublease agreement for space occupied in New York. On November 21, 1993, the sublease was terminated and a new lease was negotiated which expires on November 20, 2008. CapMAC has a lease agreement for its London office beginning October 1, 1992 and expiring October 1, 2002. As of December 31, 1995, future minimum payments under the lease agreements are as follows:

$ in thousands	Payment
1996	$ 2,255
1997	2,948
1998	3,027
1999	3,476
2000 and thereafter	36,172
TOTAL	$ 47,878

Rent expense, commercial rent taxes and electricity for the years ended December 31, 1995, 1994 and 1993 amounted to $1,939,000, $2,243,000 and $2,065,000, respectively.

CapMAC has available a $100,000,000 standby corporate liquidity facility (the "Liquidity Facility") provided by a consortium of banks, headed by Bank of Montreal, as agent, which is rated "A-1+" and "P-1" by S&P and Moody's, respectively. Under the Liquidity Facility, CapMAC will be able, subject to satisfying certain conditions, to borrow funds from time to time in order to enable it to fund any claim payments or payments made in settlement or mitigation of claim payments under its insurance contracts. For the years ended December 31, 1995, 1994 and 1993, no draws had been made under the Liquidity Facility.

12) REINSURANCE

In the ordinary course of business, CapMAC cedes exposure under various treaty, pro rata and excess of loss reinsurance contracts primarily designed to minimize losses from large risks and protect the capital and surplus of CapMAC.

The effect of reinsurance on premiums written and earned was as follows:

<TABLE>
<CAPTION>

	Years Ended December 31					
	1995		1994		1993	
$ in thousands	Written	Earned	Written	Earned	Written	Earned
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Direct	$ 56,541	36,853	43,598	28,561	24,491	20,510
Assumed	935	761	1,064	258	403	364
Ceded	(15,992)	(8,372)	(11,069)	(5,716)	(3,586)	(3,391)
NET PREMIUMS	$ 41,484	29,242	33,593	23,103	21,308	17,483

</TABLE>

Although the reinsurance of risk does not relieve the ceding insurer of its original liability to its policyholders, it is the industry practice of insurers for financial statement purposes to treat reinsured risks as though they were risks for which the ceding insurer was only contingently liable. A contingent liability exists with respect to the aforementioned reinsurance arrangements which may become a liability of CapMAC in the event the reinsurers are unable to meet obligations assumed by them under the reinsurance contracts. At December 31, 1995 and 1994, CapMAC had ceded loss reserves of $69,000 and $0, respectively and had ceded unearned premiums of $13,171,000 and $5,551,000, respectively.

In 1994, CapMAC entered into a reinsurance agreement (the "Lureco Treaty") with Luxembourg European Reinsurance LURECO S.A. ("Lureco"), a European-based reinsurer. The agreement is renewable annually at the Company's option, subject to satisfying certain conditions. The agreement reinsured and indemnified the Company for any loss incurred by CapMAC during the agreement period up to the limits of the agreement. The Lureco Treaty provides that the annual reinsurance premium payable by CapMAC to Lureco, after deduction of the reinsurer's fee payable to Lureco, be deposited in a trust account (the "Lureco Trust Account") to be applied by CapMAC, at its option, to offset losses and loss expenses incurred by CapMAC in connection with incurred claims. Amounts on deposit in the Lureco Trust Account which have not been applied against claims are contractually due to CapMAC at the termination of the treaty.

The premium deposit amounts in the Lureco Trust Account have been reflected as assets by CapMAC during the term of the agreement. Premiums in excess of the deposit amounts have been recorded as ceded premiums in the statements of income. In the 1994 policy year, the agreement provided $5 million of loss coverage in excess of the premium deposit amounts of $2 million retained in the Lureco Trust Account. No losses were applied against the Lureco Trust Account or ceded to the Lureco Treaty in 1994. The agreement was renewed for the 1995 policy year and provides $5 million of loss coverage in excess of the premium deposit amount of $4.5 million retained in the Lureco Trust Account. Additional coverage is provided for losses incurred in excess of 200% of the net premiums earned up to $4 million for any one agreement year. In September 1995, a claim of approximately $2.5 million on an insurance policy was applied against the Lureco Trust Account.

In addition to its capital (including statutory contingency reserves) and other reinsurance available to pay claims under its insurance contracts, on June 25, 1992, CapMAC entered into a Stop Loss Reinsurance Agreement (the "Stop-loss Agreement") with Winterthur Swiss Insurance Company ("Winterthur") which is rated "AAA" by S&P and "Aaa" by Moody's. At the same time, CapMAC and Winterthur also entered into a Quota Share Reinsurance Agreement (the "Winterthur Quota Share Agreement") pursuant to which Winterthur had the right to reinsure on a quota share basis 10% of each policy written by CapMAC.

The Winterthur Stop-loss Agreement had an original term of seven years and was renewable for successive one-year periods. In April 1995, Winterthur notified CapMAC that it was canceling the Winterthur Stop-loss Agreement and the Winterthur Quota Share Agreement effective June 30, 1996.

CapMAC elected to terminate the Winterthur Stop-loss Agreement effective November 30, 1995 and, on the same date, entered into a Stop-loss Reinsurance Agreement with Mitsui Marine (the "Mitsui Stop-loss Agreement"). Under the Mitsui Stop-loss Agreement, Mitsui

Marine would be required to pay any losses in excess of $100 million in the aggregate incurred by CapMAC during the term of the Mitsui Stop-loss Agreement on the insurance policies in effect on December 1, 1995 and written during the one-year period thereafter, up to an aggregate limit payable under the Mitsui Stop-loss Agreement of $50 million. The Mitsui Stop-loss Agreement has a term of seven years and is subject to early termination by CapMAC in certain circumstances.

The Winterthur Quota Share Agreement was canceled November 30, 1995. On January 1, 1996, CapMAC reassumed the liability, principally unearned premium, for all policies reinsured by Winterthur. As a result, CapMAC reassumed approximately $1.4 billion of principal insured by Winterthur as of December 31, 1995. In connection with the commutation, Winterthur will return the unearned premiums as of December 31, 1995, net of ceding commission and federal excise tax. Such amount is expected to total approximately $2.0 million.

13) DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS
The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 1995 and 1994. SFAS No. 107, "Disclosures About Fair Value of Financial Instruments," defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties.

$ in thousands		December 31, 1995 Carrying Amount	December 31, 1995 Estimated Fair Value	December 31, 1994 Carrying Amount	December 31, 1994 Estimated Fair Value
FINANCIAL ASSETS:					
Investments	$	284,352	284,352	189,068	189,068
OFF-BALANCE-SHEET INSTRUMENTS:					
Financial Guarantees Outstanding	$	-	147,840	-	93,494
Ceding Commission	$	-	44,352	-	28,048

The following methods and assumptions were used to estimate the fair value of each class of financial instruments summarized above:

INVESTMENTS
The fair values of fixed maturities and mutual funds are based upon quoted market prices. The fair value of short-term investments approximates amortized cost.

FINANCIAL GUARANTEES OUTSTANDING
The fair value of financial guarantees outstanding consists of (1) the current unearned premium reserve, net of prepaid reinsurance and (2) the fair value of installment revenue which is derived by calculating the present value of the estimated future cash inflow to CapMAC of policies in force having installment premiums, net of amounts payable to reinsurers, at a discount rate of 7% at December 31, 1995 and 1994. The amount calculated is equivalent to the consideration that would be paid under market conditions prevailing at the reporting dates to transfer CapMAC's financial guarantee business to a third party under reinsurance and other agreements. Ceding commission represents the expected amount that would be paid to CapMAC to compensate CapMAC for originating and servicing the insurance contracts. In constructing estimated future cash inflows, management makes assumptions regarding prepayments for amortizing asset-backed securities which are consistent with relevant historical experience. For revolving programs, assumptions are made regarding program utilization based on discussions with program users. The amount of installment premium actually realized by the Company could be reduced in the future due to factors such as early termination of insurance contracts, accelerated prepayments of underlying obligations or lower than anticipated utilization of insured structured programs, such as commercial paper conduits. Although increases in future installment revenue due to renewals of existing insurance contracts historically have been greater than reductions in future installment revenue due to factors such as those described above, there can be no assurance that future circumstances might not cause a net reduction in installment revenue, resulting in lower revenues.

14) CAPITALIZATION
The Company's certificate of incorporation authorizes the issuance of 15,000,000 shares of common stock, par value $1.00 per share. Authorized, issued and outstanding shares at December 31, 1995 and 1994 were 15,000,000 at $1.00 per share.

In 1995, $59.0 million of the proceeds received by Holdings from the sale of shares in connection with an Initial Public Offering and private placements were contributed to CapMAC.

Consent of Independent Certified Accountants

The Board of Directors
Capital Markets Assurance Corporation

We consent to the use of our report included in the Form 8-K of Financial Asset Securities Corp. and to the reference to our firm under the heading "Experts" in the Prospectus Supplement for Headlands Home Equity Loan Trust 1996-1.

Our report dated January 25, 1996, refers to the Company's adoption at December 31, 1993 of Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities".

/s/ KPMG Peat Marwick LLP

New York, New York
December 26, 1996