FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
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FILER

UNITED PANAM FINANCIAL CORP
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark one)

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 1998

Or

[_] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from __________ to ___________

Commission File Number 000-24051

UNITED PANAM FINANCIAL CORP.
(Exact name of Registrant as specified in its charter)

California	95-3211687
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1300 SOUTH EL CAMINO REAL
SAN MATEO, CALIFORNIA 94402
(Address of principal executive offices) (Zip Code)

(650) 345-1800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, No Par Value

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in PART III of this Form 10-K or any amendment to this Form 10-K. [_]

The aggregate market value of the Common Stock held by non-affiliates of the Registrant was approximately $10,200,000, based upon the closing sales price of the Common Stock as reported on the Nasdaq National Market on March 17, 1999. Shares of Common Stock held by each officer, director and holder of 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. Such determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares outstanding of the Registrant's Common Stock as of March 17, 1999 was 16,843,750 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the 1999 Annual Meeting of Shareholders to be held April 27, 1999 are incorporated by reference in PART III hereof. Such Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 1998.

UNITED PANAM FINANCIAL CORP.

1998 ANNUAL REPORT ON FORM 10-K

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PART I

PART I

Certain statements in this Annual Report on Form 10-K, including statements regarding United PanAm Financial Corp.'s (the "Company") strategies, plans, objectives, expectations and intentions, may include forward-looking information within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such forward-looking statements. Such risks and uncertainties include, but are not limited to, the following factors: limited operating history; loans made to credit-impaired borrowers; need for additional sources of financing; concentration of business in California; reliance on operational systems and controls and key employees; competitive pressure in the banking and mortgage lending industry; changes in the interest rate environment; rapid growth of the Company's businesses; risks in connection with the securitization of mortgage loans; general economic conditions; risks relating to the Year 2000; and other risks identified from time to time in the Company's filings with the Securities and Exchange Commission (the "SEC"). See "Item 1. Business Factors That May Affect Future Results of Operations."

Item 1. BUSINESS

GENERAL

The Company was incorporated in California on April 19, 1998 for the purpose of reincorporating its business in that state, through the merger of United PanAm Financial Corp., a Delaware corporation (the "Predecessor"), into the Company. Unless the context indicates otherwise, all references herein to the "Company" include the Predecessor. The Company was originally organized as a holding company for Pan American Financial, Inc., ("PAFI") and Pan American Bank, FSB (the "Bank") to purchase certain assets and assume certain liabilities of Pan American Federal Savings Bank from the Resolution Trust Corporation ("RTC") on April 29, 1994 pursuant to a whole purchase and assumption agreement. The Company, PAFI and the Bank are considered to be minority owned. PAFI is a wholly-owned subsidiary of the Company, and the Bank is a wholly-owned subsidiary of PAFI. United PanAm Mortgage Corporation, a California corporation, was organized in 1997 and is a wholly-owned subsidiary of UPFC.

The Company is a diversified specialty finance company engaged primarily in originating and acquiring for investment or sale residential mortgage loans, personal automobile insurance premium finance contracts and retail automobile installment sales contracts. The Company markets to customers who generally cannot obtain financing from traditional lenders. These customers usually pay higher loan origination fees and interest rates than those charged by traditional lenders to gain access to consumer financing. The Company has funded its operations to date principally through retail and wholesale deposits, Federal Home Loan Bank ("FHLB") advances, warehouse lines of credit, and whole loan sales or securitizations.

The Company commenced operations in 1994, as a Hispanic-controlled financial institution, by purchasing from the RTC certain assets and assuming certain liabilities of the Bank's predecessor, Pan American Federal Savings Bank. The Company has used the Bank as a base for expansion into its current specialty finance businesses. In 1995, the Company commenced its insurance premium finance business through a joint venture with BPN Corporation ("BPN"). In 1996, the Company commenced its current mortgage and automobile finance businesses.

RECENT EVENTS

During November 1998, the Company and BPN, purchased from Norwest Financial Coast, Inc. ("Coast") for $3.0 million the right to solicit new and renewal personal and commercial insurance premium finance business from brokers who previously provided contracts to Coast. The purchase price for the

agreement was provided 60% by the Company and 40% by BPN. The Company also acquired the "Coast" name, and certain furniture, equipment and software.

In March 1999, United PanAm Mortgage Corporation completed its second securitization of approximately $225 million in mortgage loans.

MORTGAGE FINANCE

The Company originates and sells or securitizes subprime mortgage loans secured primarily by first mortgages on single family residences through United PanAm Mortgage, a division of the Bank (such business, together with the Bank's mortgage finance activities are referred to as "UPAM"). UPAM's mortgage customers are considered "subprime" because of factors such as impaired credit history or high debt-to-income ratios compared to customers of traditional mortgage lenders. UPAM's customers use the proceeds of the mortgage loans primarily to finance home purchases and improvements, debt consolidation, education and other consumer needs, and may benefit from consolidating existing consumer debt through mortgage loans with lower monthly payments.

UPAM's strategy utilizes a balanced retail and wholesale origination approach. The retail division originates loans through the direct solicitation of borrowers by mail and telemarketing and accounted for $382.4 million, or 32%, of UPAM's total loan production during 1998. The wholesale division originates loans through independent loan brokers and accounted for $807.4 million, or 68%, of UPAM's total loan production during the same period.

During 1998, UPAM sold its loans with servicing released to other mortgage companies and investors through whole loan packages offered for bid several times per month. During 1998, UPAM sold $1.1 billion of loans through whole loan sales at a weighted average sales price equal to 104.9% of the original principal balance of the loans sold. UPAM completed its first securitization of $114.9 million in mortgage loans in December 1997 at a net gain on sale of 5.2% of the principal amount of loans securitized. In March 1998, the Company sold its residual interests in this securitization for cash in the amount of $8.3 million which exceeded its carrying value of approximately $8.2 million at the date of sale. UPAM completed its second securitization of $225 million in mortgage loans in March 1999.

SUBPRIME MORTGAGE INDUSTRY

The residential mortgage market can be separated into two major segments: "prime" and "subprime." Prime borrowers comprise greater than 80% of the market and have credit quality and documentation that satisfy the requirements of the Government National Mortgage Association ("GNMA"), Federal National Mortgage Association ("FNMA") or Federal Home Loan Mortgage Corporation ("FHLMC").

Historically, the subprime mortgage loan market has been a highly fragmented niche market dominated by local brokers with direct ties to investors who owned and serviced this relatively higher margin, riskier product. In recent years, subprime loan origination volume has increased significantly due to additional loan products, aggressive marketing to consumers leading to more awareness of subprime loan products, the tremendous growth in the asset-backed securities ("ABS") market and additional market capacity provided by large well-capitalized financial institutions that have entered the subprime market recently.

As a result of disruptions in the capital markets and the international flight to quality in the ABS market during the fourth quarter of 1998, spreads on such securities widened considerably causing significant reductions in prices in the securitization and whole loan sale market. Because UPAM has historically sold substantially all of its loans in the whole loan sale market, this reduction in pricing significantly impacted the Company's reported gains on sales of loans. During the first three quarters of 1998, average sales of loans were at prices in excess of 105% of the unpaid principal balance of the loan. This compares with average

prices in the fourth quarter of 1998 of 102.8% of the unpaid principal balance of the loan, a decline of over 40%. Mitigating some of the impact of this price erosion was continued strong consumer demand enabling UPAM to tighten underwriting standards, reduce loan to value ratios ("LTV"), increase note rates and fees, and increase prepayment penalties.

BUSINESS STRATEGY

UPAM's strategic objective is to continue to develop its national subprime residential mortgage business. In order to achieve this objective, UPAM intends to (i) continue to originate subprime mortgage loans through a balanced retail and wholesale network, (ii) originate high quality profitable loans to ensure best pricing in the secondary market, and (iii) continue to develop a lower cost operating structure. The Company believes that the subprime residential mortgage market is highly fragmented and that success in this market depends primarily on the ability to provide superior customer service, and competitive pricing in a low cost environment. UPAM seeks to (i) locate experienced loan officers in geographic proximity to large population centers, (ii) issue conditional loan approvals promptly, generally within 24 hours after receipt of an application, (iii) avoid imposing unnecessarily restrictive conditions on loan approvals, (iv) fund loans on a timely basis, generally within 15 to 20 days following conditional approval, and in accordance with approved terms, and (v) competitively price loans according to risk and market conditions.

OPERATING SUMMARY

The following table presents a summary of UPAM's key operating results and statistics on a quarterly basis for 1998.

<TABLE>
<CAPTION>

	For the Quarter Ended			
	March 31, 1998	June 30, 1998	September 30, 1998	December 31, 1998
	(Dollars in thousands)			
<S>	<C>	<C>	<C>	<C>
LOAN ORIGINATION STATISTICS				
Loans originated	$263,790	$335,026	$358,567	$232,358
Number of loans originated	2,707	3,401	3,597	2,229
Average principal balance per loan	$ 97	$ 99	$ 100	$ 104
Weighted average interest rate				
Fixed-rate loans	10.33%	10.39%	10.31%	10.40%
Adjustable-rate loans	9.59%	9.58%	9.63%	9.70%
Weighted average loan-to-value ratio	75%	75%	76%	76%
First mortgage loans	96%	95%	96%	97%
Fixed-rate loans	28%	27%	31%	29%
Owner occupied	84%	87%	89%	91%
Retail originations	34%	34%	33%	25%
California	40%	44%	44%	42%
Loans with prepayment penalties				
Retail	91%	92%	91%	86%
Wholesale	72%	82%	84%	86%
BORROWER-QUALITY STATISTICS (1)				
AA or A-	68%	66%	64%	59%
B or C	28%	30%	32%	38%
C- or D	4%	4%	4%	3%
LOAN SALES STATISTICS				
Loans sold or securitized	$193,844	$344,578	$347,930	$198,349
Average sales price (% of principal balance)	105.5%	105.3%	105.2%	102.8%
OPERATING STATISTICS				
States loans originated in	33	44	37	40

Retail loan branches	23	22	22	18
Wholesale loan centers	5	6	6	4

</TABLE>

____
(1) See "--Loan Production by Borrower Risk Classification."

LOAN ORIGINATION

Retail Division. During 1998, the retail division originated $382.4 million in loans, or 32%, of UPAM's total loan production. As of December 31, 1998, the retail division employed 69 loan officers, located in 18 retail branches. Ten of these branches are located in California, two are in Washington, and one each in Arizona, Colorado, Florida, Illinois, Nevada, and Oregon.

The following table sets forth selected information relating to UPAM's retail loan originations during the periods shown.

<TABLE>
<CAPTION>

	For the Quarter Ended			
	March 31, 1998	June 30, 1998	September 30, 1998	December 31, 1998
	(Dollars in thousands)			
<S>	<C>	<C>	<C>	<C>
Loans originated	$90,736	$115,231	$117,454	$58,938
Number of loans originated	847	1,076	1,108	545
Average principal balance per loan	$ 107	$ 107	$ 106	$ 108
Weighted average interest rate				
Fixed-rate loans	9.87%	10.02%	9.82%	9.89%
Adjustable-rate loans	8.82%	8.90%	8.95%	8.99%
Weighted average loan-to-value ratio	74%	73%	73%	74%
First mortgage loans	96%	95%	95%	96%
Owner occupied properties	76%	79%	82%	88%

</TABLE>

Wholesale Division. The wholesale division funded $807.4 million in loans, or 68% of UPAM's total loan production, during the twelve months ended December 31, 1998. At December 31, 1998, the wholesale division had four loan centers located in Utah, California, Florida and Ohio, and employed 58 account executives. These loan centers maintain relationships with brokers that provide loans to UPAM. During the twelve months ended December 31, 1998, UPAM originated loans through approximately 1,400 independent mortgage brokers, with the top 37 brokers generating 25% of those loans and the largest broker accounting for 1.82%.

The following table sets forth selected information relating to wholesale loan originations during the periods shown.

<TABLE>
<CAPTION>

	For the Quarter Ended			
	March 31, 1998	June 30, 1998	September 30, 1998	December 31, 1998
	(Dollars in thousands)			
<S>	<C>	<C>	<C>	<C>
Loans originated	$173,054	$219,795	$241,113	$173,420
Number of loans originated	1,860	2,325	2,489	1,684
Average principal balance per loan	$ 93	$ 94	$ 97	$ 103
Weighted average interest rate				
Fixed-rate loans	10.79%	10.69%	10.67%	10.72%
Adjustable-rate loans	9.89%	9.84%	9.85%	9.87%
Weighted average loan-to-value ratio	76%	77%	78%	76%
First mortgage loans	96%	96%	97%	97%
Owner occupied properties	88%	91%	91%	93%

</TABLE>

PRODUCTS AND PRICING

UPAM offers both fixed-rate loans and adjustable rate loans ("ARMs"), as well as loans with an interest rate that is initially fixed for a period of time and subsequently converts to an adjustable-rate. Most of the ARMs originated by UPAM are offered at a lower initial interest rate and are subject to lifetime interest rate caps. At each interest rate adjustment date, UPAM adjusts the rate, subject to certain limitations on the amount of any single adjustment, until the rate charged equals the lower of the fully indexed rate or the lifetime interest rate cap. There can be no assurance, however, that the interest rate on these loans will reach the fully indexed rate if interest rates rise rapidly to the level of the cap, the loans are pre-paid or the loans migrate to foreclosure. UPAM's borrowers are classified under one of five subprime risk classifications, and loan products are available at different interest rates and with different origination points and fees depending on the particular borrower's risk classification. UPAM's maximum loan amount is generally $350,000 with an LTV

of 90%, $500,000 with an LTV of 85% and $750,000 with an LTV of 75%. Loans over $750,000 are made on a case-by-case basis. Loans originated by UPAM during the twelve months ending December 31, 1998 had an average loan amount of approximately $99,000 and an average LTV of approximately 75%. Unless prohibited by law or otherwise waived by UPAM upon the payment by the borrower of higher origination fees and a higher interest rate, UPAM generally imposes a prepayment penalty on the borrower. As of December 31, 1998, approximately 86% of UPAM's loans included a prepayment penalty.

UNDERWRITING STANDARDS

UPAM originates loans in accordance with underwriting criteria that generally do not satisfy traditional underwriting standards, such as those utilized by GNMA, FNMA or FHLMC, and therefore may result in rates of delinquencies and foreclosures that are higher, and may be substantially higher, than those rates experienced by loans underwritten in a more traditional manner. UPAM's underwriting guidelines are intended to evaluate the applicant's credit history and capacity to repay the loan, the value of the proposed collateral and the adequacy of such collateral for the loan. UPAM determines the loan terms, including interest rate and maximum LTV based upon the underwriting guidelines.

Underwriters are required to have had either substantial subprime underwriting experience or substantial experience with UPAM in other aspects of the Company's subprime mortgage finance business before becoming part of UPAM's underwriting department. Underwriters are not given approval authority until their work has been reviewed by a corporate-based underwriter or a specifically identified branch underwriter. In addition, a sampling of a new underwriter's work is reviewed by a corporate level underwriter. No branch-based underwriter has an approval limit greater than $400,000. All loans over $400,000 require approval of the Chief Credit Officer or a designated corporate-based underwriter. Exceptions from these established guidelines are also subject to approvals, often at the corporate level. This approval process is reviewed periodically by the Board of Directors. The Chief Credit Officer periodically re-evaluates the authority levels of all underwriting personnel.

UPAM's underwriting guidelines require a credit report on each applicant from a credit reporting company. UPAM's underwriters review the applicant's credit history based on the information contained in the application and reports available from credit reporting bureaus to determine if the applicant's credit history meets UPAM's underwriting guidelines. A number of factors determine a loan applicant's creditworthiness, including debt ratios, payment history and the combined LTV for all existing mortgages on a property. Based on this review, the underwriter assigns a preliminary rating to the application.

Assessment of the applicant's ability to pay is one of the principal elements of UPAM's underwriting philosophy. UPAM's underwriters review the applicant's credit profile to evaluate whether an impaired credit history is a result of previous adverse circumstances or a continuing inability or unwillingness to meet credit obligations in a timely manner.

All mortgaged properties are appraised by qualified independent appraisers prior to funding of the loan. All appraisals are required to conform to the Uniform Standards of Professional Appraisal Practice. Review appraisals are required on substantially all wholesale loans (consistent with industry standards since the appraiser involved on a wholesale origination would generally not be on a list of approved appraisers maintained by UPAM) and retail loans where the appraisal was prepared by an appraiser who has not been approved by UPAM.

UPAM has a loan quality control process designed to ensure compliance with its policies and procedures. Prior to funding a loan, UPAM performs a pre-funding quality control audit which consists of verifying a loan applicant's credit and employment. UPAM also ensures that the documentation is complete once the loan is originated to facilitate its subsequent sale.

The underwriting guidelines set forth in the following table, and the letter grades applied to each sub-prime borrower category, reflect solely the

Company's internal standards, and may not be comparable to those used by other subprime mortgage lenders. UPAM continually evaluates its underwriting guidelines and periodically modifies the underwriting guidelines as required by investors.

CREDIT CRITERIA MATRIX (LTV'S UP TO 85%)

	AA	A-	B
MORTGAGE RATING Last 12 Months	Maximum one 30-day late payment and no 60 or 90 day late payments within last 12 months. Not more than 29 days delinquent at closing.	Maximum two 30-day late payments and no 60 or 90 day late payments within last 12 months. Not more than 29 days delinquent at closing.	Maximum four 30-day late payments and one 60-day late payment within last 12 months. Not more than 59 days delinquent at closing.
CONSUMER CREDIT	Excellent	GOOD	SATISFACTORY
	24-Month History	12-MONTH HISTORY	12-MONTH HISTORY
All open and/or active accounts in the review period, are considered when calculating the ratio of derogatory accounts to total accounts.	- Excellent credit prior 24 months. - No accounts currently 30 days or more delinquent. - less than or equal to 25% of credit report items derogatory in last 12 months. - No 60 or 90+ day late payments within last 12 months.	- Good credit prior 12 months. Isolated incidences of minor 60 day delinquencies will be considered. - Sufficient number of accounts paid as agreed to offset isolated incidences of 60 day delinquencies. - No accounts currently 30 days or more delinquent. - less than or equal to 35% of credit report items derogatory in last 12 months. - No 60 or 90+ day late payments within last 12 months.	- Satisfactory credit prior 12 months. Isolated incidences of 90 day credit delinquencies will be considered. - Demonstrate ability/willingness to pay majority of accounts as agreed. - No accounts currently 60 days or more delinquent are allowed. - less than or equal to 45% of credit report items derogatory in last 12 months. - No 90 day late payments in last 12 months.
BANKRUPTCY	3 years since discharge/dismissal. Re-established excellent ("AA") credit since discharge/dismissal.	2 years since discharge--Chapter 7 and Chapter 11. Two years since filing Chapter 13. Must be discharged prior to loan application or paid in full through closing. Re-established good "A-" credit since discharge-dismissal.	18 months since discharge--Chapter 7 and Chapter 11. One year since discharge or 18 months since filing with evidence plan paid as agreed--Chapter 13. Must be discharged prior to loan application or paid in full through closing. Re-established good ("B")
FORECLOSURE	No foreclosures last 3 credit since discharge/ dismissal. years.	No foreclosures last 2 years.	No foreclosures last 2 years.
COLLECTIONS CHARGE-OFFS	No collections, charge-offs allowed in last 24 months.	No collections or charge-offs in the last 12 months.	No collections or charge-offs in the last 12 months.
TAX LIENS JUDGMENTS	No liens, judgments last 24 months.	No liens, judgments last 12 months.	Liens, judgments last 12 months.

CREDIT CRITERIA MATRIX (LTV'S UP TO 85%)

	C	C-
MORTGAGE RATING Last 12 Months	Maximum six 30-day, one 60-day and no 90-day late payments within last 12 months. Not more than 89 days delinquent at closing.	Unlimited number of 30-day, 60-day and 90-day late payments or one 120-day late payment within last 12 months. Current NOD or cured foreclosure allowed

		if LTV is less than 70%. Not more than 119 days delinquent at closing.
CONSUMER CREDIT	Fair	POOR
	12-Month History	24-MONTH HISTORY
All open and/or active accounts in the review period, are considered when calculating the ratio of derogatory accounts to total accounts.	- Moderate to significant credit derogatories in the past. - Currently delinquent accounts allowed. - less than or equal to 55% of credit report items derogatory in last 12 months. - 30, 60 and 90-day late payments allowed. This category applies to borrowers who do not have at least three accounts with payments activity in last 12 months.	- Majority of credit report items derogatory in last 12 months. - Percentage of derogatory credit items is not a factor.
BANKRUPTCY	1 year since bankruptcy filing date. Must be discharged prior to loan application or, for Chapter 13, paid in full through closing.	Bankruptcy filed within last 12 months. Must be discharged prior to loan application or, for Chapter 13, paid in full through closing.
FORECLOSURE	No foreclosures in last 12 months.	Foreclosures cured in last 12 months.
COLLECTIONS CHARGE-OFFS	Collections, charge-offs last 12 months allowed. Pay off of unpaid accounts required at underwriters discretion.	Collections, charge-offs last 12 months allowed. Pay off of unpaid accounts required at underwriters discretion.
TAX LIENS JUDGMENTS	Liens, judgments last 12 months.	Liens, judgments last 12 months.

</TABLE>

LOAN PRODUCTION BY BORROWER RISK CLASSIFICATION

The following table sets forth information concerning UPAM's loan production by subprime borrower risk classification for the periods shown. The letter grades applied to each subprime borrower category reflect solely the Company's internal standards, and may not be comparable to those used by other subprime mortgage lenders.

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31, 1998	FOR THE YEAR ENDED DECEMBER 31, 1997
<S>	<C>	<C>
AA Risk Grade		
Percent of total originations	27%	30%
Weighted average loan-to-value ratio	76%	75%
Weighted average interest rate	9.13%	9.25%
A- Risk Grade		
Percent of total originations	37%	40%
Weighted average loan-to-value ratio	74%	76%
Weighted average interest rate	9.65%	9.47%
B Risk Grade		
Percent of total originations	25%	22%
Weighted average loan-to-value ratio	73%	76%
Weighted average interest rate	10.24%	10.09%
C Risk Grade		
Percent of total originations	7%	4%
Weighted average loan-to-value ratio	72%	70%
Weighted average interest rate	10.67%	10.51%
C- Risk Grade		
Percent of total originations	2%	2%
Weighted average loan-to-value ratio	71%	68%
Weighted average interest rate	11.83%	11.25%
D Risk Grade		
Percent of total originations	2%	2%
Weighted average loan-to-value ratio	69%	62%

Weighted average interest rate	12.72%	12.69%

</TABLE>

LOAN PRODUCTION BY GEOGRAPHIC DISTRIBUTION

The following table sets forth the percentage of UPAM's loans (based upon dollar amounts) originated by state for the period shown.

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED	
	DECEMBER 31, 1998	DECEMBER 31, 1997
<S>	<C>	<C>
California	43%	47%
Florida	10%	5%
Washington	9%	14%
Ohio	7%	3%
Colorado	6%	7%
Utah	4%	7%
New Jersey	3%	2%
Arizona	2%	5%
Georgia	2%	--
Nevada	2%	2%
New Mexico	2%	1%
Oregon	2%	3%
All other combined	8%	4%
Total	100%	100%

</TABLE>

LOAN SALES AND SECURITIZATIONS

Whole Loan Sales. During the twelve months ended December 31, 1998, UPAM sold, for cash paid in full at closing, $1.1 billion of mortgage loans through whole loan sales at a weighted average sales price equal to 104.9% of the original principal balance of the loans sold.

Whole loan sales are made on a non-recourse basis pursuant to a purchase agreement containing customary representations and warranties by UPAM regarding the underwriting criteria applied by UPAM in the origination process. In the event of a breach of such representations and warranties, UPAM may be required to repurchase or substitute loans. In addition, UPAM sometimes commits to repurchase or substitute a loan if a payment default occurs within the first month following the date the loan is funded, unless other arrangements are made between UPAM and the purchaser. UPAM also is required in some cases to repurchase or substitute a loan if the loan documentation is alleged to contain fraudulent misrepresentations made by the borrower. During 1998, UPAM repurchased from investors $21.2 million of loans primarily as a result of early payment defaults. Such loans have been reported, generally, as non-performing loans and are included in the Company's held for investment portfolio. On a case by case basis UPAM has sold some of the non-performing loans and may do so in the future. Specific loss reserves have been recorded on these loans if the outstanding principal balance is in excess of its estimated fair value.

UPAM seeks to maximize its premium on whole loan sales revenue by closely monitoring institutional purchasers' requirements and focusing on originating the types of loans that meet those requirements and for which institutional purchasers tend to pay higher premiums. During the twelve months ended December 31, 1998, UPAM sold loans to 20 institutional purchasers, four of which purchased approximately 84% of the loans sold by UPAM in this period.

Securitizations. UPAM completed its first securitization of mortgage loans in December 1997, in the principal amount of $114.9 million. No loan securitizations were completed during 1998. UPAM completed its second securitization of mortgage loans in March 1999 in the principal amount of approximately $225

million. Whether, when and how significantly UPAM decides to enter the securitization market in the future will depend upon economic and secondary market conditions and available financial resources.

LOAN SERVICING AND DELINQUENCIES

UPAM currently sells most of its loans on a servicing released basis. All loans are serviced and held by the Bank until sold. The Bank subcontracts with a third-party sub-servicer to conduct its servicing operations, and monitors the sub-servicer's activities to ensure that they comply with its guidelines. If UPAM securitizes additional mortgage loans, it may develop expanded in-house capabilities for delinquency, foreclosure and REO activities management, while continuing to use a third-party servicer to perform payment processing, account maintenance, tax and insurance escrow accounting and other primary servicing activities.

UPAM began receiving applications for mortgage loans under its regular lending programs in January 1996 and to date has sold substantially all of its loans on a whole loan, servicing released basis. Accordingly, UPAM does not have representative historical delinquency, bankruptcy, foreclosure or default experience that may be referred to for purposes of estimating future delinquency, loss and prepayment data with respect to its loans.

INSURANCE PREMIUM FINANCE

BUSINESS OVERVIEW

In May 1995, the Company entered into a joint venture with BPN under the name "ClassicPlan" (such business "IPF"). Under this joint venture, which commenced operations in September 1995, (i) the Bank underwrites and finances automobile insurance premiums in California and (ii) BPN markets this financing primarily to independent insurance agents that sell automobile insurance in California and, thereafter, services such loans for the Bank. IPF markets to drivers who are classified by insurance companies as non-standard or high risk for a variety of reasons, including age, driving record, a lapse in insurance coverage or ownership of high value or high performance automobiles. Insurance companies that underwrite insurance for such drivers, including those participating in the assigned risk programs established by California law, generally either do not offer financing of insurance premiums or do not offer terms as flexible as those offered by IPF.

Customers are directed to BPN through a non-exclusive network of insurance brokers and agents who sell automobile insurance and offer financing through programs like those offered by IPF. On a typical twelve-month insurance policy, the borrower makes a cash down payment of 15% or 20% of the premium (plus certain fees) and the balance is financed under a contract that contains a payment period of shorter duration than the policy term. In the event that the insured defaults on the loan, the Bank has the right to obtain directly from the insurance company the unearned insurance premium held by the insurance company, which can then be applied to the outstanding loan balance (premiums are earned by the insurance company over the life of the insurance policy). Each contract is designed to ensure that, at any point during the term of the underlying policy, the unearned premium under the insurance policy exceeds the unpaid principal amount due under the contract. Under the terms of the contract, the insured grants IPF a power of attorney to cancel the policy in the event the insured defaults under the contract. Upon cancellation, the insurance company is required by California law to remit the unearned premium to IPF which, in turn, offsets this amount against any amounts due from the insured. IPF does not sell or have the risk of underwriting the underlying insurance policy. IPF seeks to minimize its credit risk by (i) perfecting a security interest in the unearned premium, (ii) avoiding concentrations of policies with insurance companies that are below certain industry ratings, and (iii) doing business to date only in California which maintains an insurance guaranty fund which protects consumers and insurance premium finance companies against losses from failed insurance companies.

In addition to insurance premiums, IPF will also finance broker fees (i.e., fees paid by the insured to the agent). If a policy cancels, the agent repays any unearned broker fee financed by IPF. Broker fee

financing represents approximately 4% of total loans outstanding. At December 31, 1998, approximately 80% of all broker fee financing was to a single insurance agency. When IPF agrees to finance an agent's broker fees, a credit limit is established for the agent. Agents are required to maintain deposits with the Bank to mitigate IPF's possible losses on broker fees financed. To date, the Bank has not charged-off a broker fee balance.

At December 31, 1998 the aggregate gross amount of insurance premium finance contracts was $44.7 million with 104,000 contracts outstanding. During the twelve months ended December 31, 1998, IPF originated 137,743 insurance premium finance contracts. During the last two years, growth in IPF primarily resulted from the adoption in California of mandatory automobile insurance on January 1, 1997 and the purchase in January 1998, with BPN, from Providian National Bank for $450,000 of the right to solicit new and renewal personal and commercial insurance premium finance business from brokers who previously provided contracts to Commonwealth Premium Finance ("CPF"). The purchase price for the agreement was provided 60% by the Company and 40% by BPN. The relationship between the Company and BPN continues to be governed by the joint venture arrangement already in effect. See "Relationship with BPN" below. The Company also acquired the Commonwealth name and certain equipment and software.

The agreement also provides that Providian National Bank and the servicers of its insurance premium finance business may not solicit or engage in the insurance premium finance business in California for a period of three years from the date of the agreement.

During November 1998, the Company and BPN, purchased from Norwest Financial Coast, Inc. ("Coast") for $3.0 million the right to solicit new and renewal personal and commercial insurance premium finance business from brokers who previously provided contracts to Coast. The purchase price for the agreement was provided 60% by the Company and 40% by BPN. The Company also acquired the "Coast" name, and certain furniture, equipment and software. The agreement also provides that Coast may not solicit or engage in the insurance premium finance business in California and certain other states for five years from the date of the agreement. Existing Coast customer receivables were not acquired.

RELATIONSHIP WITH BPN

BPN is headquartered in Chino, California, and markets the Company's insurance premium finance program under the trade name "ClassicPlan." The Company believes that IPF is the largest provider of financing for consumer automobile insurance premiums in California. On a more limited basis, IPF also finances insurance premiums for businesses purchasing property, casualty and liability insurance. At December 31, 1998, BPN had 52 employees.

BPN solicits insurance agents and brokers to submit their clients' financing requests to the Bank. BPN is responsible for monitoring the agents' performance and assisting with IPF's compliance with applicable consumer protection, disclosure and insurance laws, and providing customer service, data processing and collection services to IPF. The Bank pays fees to BPN for these services. The amount of these fees is based on fixed charges, which include a loan service fee per contract and cancellation fees charged by the Bank, and the earnings of the loan portfolio, which include (i) 50% of the interest earned on portfolio loans after the Bank subtracts a specified floating portfolio interest rate and (ii) 50% of late fees and returned check fees charged by the Bank. Additionally, BPN and the Bank share equally (i) certain collection and legal expenses which may occur from time-to-time, (ii) all net loan losses experienced on the insurance premium loan portfolio and (iii) all net losses up to $375,000 experienced on the broker fees loan portfolio. BPN bears losses over $375,000 experienced on the broker fees loan portfolio.

The shareholders of BPN have entered into certain guaranty agreements in favor of the Bank whereby they agree to pay any sums owed to the Bank and not paid by BPN. The total potential liability of the guarantors to the Bank is limited to $2,000,000 plus any amounts by which BPN is obligated to indemnify the

Bank. Under these guaranties, all debts of BPN to the guarantors are subordinated to the full payment of all obligations of BPN to the Bank.

The Company has entered into an option agreement with BPN and its shareholders whereby the Company may purchase all of the issued and outstanding shares of BPN (the "Shares Option") and all additional shares of any BPN affiliate which may be organized outside of California (the "Affiliate Share Option"). The option period expires March 31, 2005. The Company has agreed not to exercise the Share Option prior to April 29, 1999 unless BPN or its shareholders have breached their outstanding agreements with the Company. Until the date occurring 90 days after delivery to the Company of a notice stating that BPN has had $30,000,000 or more in loans outstanding for the six months preceding delivery of such notice, which notice cannot be delivered prior to October 29, 1999, the Company may exercise the Share Option for $3,250,000 and must pay a $750,000 noncompete payment to certain shareholders and key employees of BPN (the "Noncompete Payment"). If the Share Option is exercised any time thereafter, the Noncompete Payment will be made and the option exercise price shall be the greater of (a) $3,250,000 or (b) four times BPN's pre-tax earnings for the twelve complete consecutive calendar months immediately preceding the date of exercise less the Noncompete Payment. The Affiliate Share Option may not be exercised independently of the Share Option. The exercise price of the Affiliate Share Option will equal the sum of four times BPN Affiliate's pre-tax earnings for the twelve month period prior to exercise.

In connection with the purchase of the rights to solicit new and renewal business from Coast, the Bank made loans to two shareholders of BPN in the aggregate amount of $1.2 million. The loans earn interest at a rate of 9.25% per annum and are secured by the common stock of BPN. The loans provide for principal and interest payments over a three-year period.

AUTOMOBILE INSURANCE PREMIUM FINANCE INDUSTRY

Insurance Finance. The private passenger automobile insurance industry in the United States is estimated by A.M. Best Company ("A.M. Best"), a provider of independent ratings on the financial strength and claims payment ability of insurance companies, to have been a $109 billion market in annual premium volume during 1996, with nonstandard automobile insurance comprising $23 billion of this market. Although reliable data concerning the size and composition of the personal lines premium finance market is not available, the Company believes that the industry is highly fragmented with no independent insurance premium finance company accounting for a significant share of the market. The Company believes that the insurance premium finance industry in California is somewhat more concentrated than elsewhere in the nation, with several long-established competitors.

California Insurance Laws. Under current law, automobiles in the state of California cannot be registered without providing proof of insurance or posting required bonds with the Department of Motor Vehicles.

In California, as in most states, insurance companies fall into two categories, admitted or non-admitted. All insurance companies licensed to do business in California are required to be members of the California Insurance Guarantee Association ("CIGA"), and are classified as "admitted" companies. CIGA was established to protect insurance policyholders in the event the company that issued a policy fails financially, and to establish confidence in the insurance industry. Should an insurance company fail, CIGA is empowered to raise money by levying member companies. CIGA pays claims against insurance companies, which protects both the customer and the premium financiers should an admitted insurance company fail. In such event, CIGA will refund any unearned premiums. This provides protection to companies, such as IPF, that provide insurance premium financing. As a result, IPF's policy is to limit financing of insurance policies issued by non-admitted carriers to less than 5% of its total portfolio. At December 31, 1998, policies issued by non-admitted carriers comprised 4.6% of IPF's total portfolio.

Because insurance companies will not voluntarily insure drivers whom they consider to be excessively high risk, California has a program called the California Automobile Assigned Risk Program ("CAARP"), to which all admitted companies writing private passenger automobile insurance policies must belong. This 43-year-old program is an insurance plan for high risk, accident-prone drivers who are unable to purchase insurance coverage from regular insurance carriers. CAARP policies are distributed to the admitted companies in proportion to their share of California's private passenger automobile insurance market. The companies participating in CAARP do not have any discretion in choosing the customers they insure under the program. The customers are arbitrarily assigned to them by CAARP. Although CAARP offers financing of its policy premiums, its terms are not as competitive as the insurance premium finance companies and, therefore, many CAARP policies are financed by others. At December 31, 1998, approximately 13% of the insurance policies financed by IPF were issued under CAARP.

BUSINESS STRATEGY

IPF's business strategy is to increase profitably the volume of contracts originated and maintained in its portfolio by expanding its relationship with insurance brokers and agents and insurance companies in California and, potentially, in other states. IPF intends to implement this strategy by:

- Strengthening its relationships with insurance brokers and agents by offering a variety of high-quality support services (e.g., computer hardware and software and customer reports) and finance programs designed to enable them to better serve their customers;

- Investing additional resources to ensure IPF's ability to continue to provide technologically advanced and efficient contract origination and servicing systems and support services;

- Expanding its premium financing to other insurance lines of business (e.g., commercial, property, casualty and liability insurance); and

- Expanding the Company's operations into new states either through joint ventures or the acquisition of existing insurance premium finance businesses in those states.

OPERATING SUMMARY

The following table presents a summary of IPF's key operating and statistical results for the years ended December 31, 1998 and 1997.

<TABLE>
<CAPTION>

	AT OR FOR THE YEAR ENDED DECEMBER 31,	
	1998	1997
	(Dollars in thousands, except portfolio averages)	

<S> <C> <C>

OPERATING DATA		
Loan originations	$152,998	$145,167
Loans outstanding at period end	44,709	39,990
Average gross yield (1)	19.51%	19.79%
Average net yield (2)	13.90%	14.01%
Allowance for loan losses	$ 349	$ 450
LOAN QUALITY DATA		
Allowance for loan losses (% of loans outstanding)	0.78%	1.13%
Net charge-offs (% of average loans outstanding) (3)	0.78%	0.35%
Delinquencies (% of loans outstanding) (4)	1.79%	1.64%
PORTFOLIO DATA		
Average monthly loan originations (number of loans)	11,501	10,443
Average loan size at origination	$ 1,109	$ 1,158
Commercial insurance policies (% of loans outstanding)	13.14%	2.1%
CAARP policies (% of loans outstanding)	13.05%	24.8%
Cancellation rate (% of premiums financed)	42.1%	49.0%

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(1) Gross yield represents total rates and fees paid by the borrower.
(2) Net yield represents the yield to the Bank after interest and fee sharing with BPN.
(3) Includes only the Bank's 50% share of charge-offs.
(4) This statistic measures delinquencies on canceled policy balances. Since IPF seeks recovery of unearned premiums from the insurance companies, which can take up to 90 days, loans are not considered delinquent until more than 90 days past due.

PRODUCTS AND PRICING

IPF generally charges from 16% to 23% annualized interest (depending on the amount financed) and a $40 processing fee for each consumer contract, which the Company believes is competitive in IPF's industry. In addition, contracts provide for the payment by the insured of a delinquency charge and, if the default results in cancellation of any insurance policy listed in the contract, for the payment of a cancellation charge. Certain of these finance charges and fees are shared with BPN. See "Relationship with BPN." The insured makes a minimum 15% down payment on an annual policy and pays the remainder in a maximum of ten monthly payments.

IPF designs its programs so that the unearned premium is equal to or greater than the remaining principal amount due on the contract by requiring a down payment and having a contract term shorter than the underlying policy term.

SALES AND MARKETING

IPF currently markets its insurance premium finance program through a network of over 700 agents, primarily located in Los Angeles, Orange and San Bernardino counties. Relationships with agents are established by BPN's marketing representatives. The Company believes that IPF has been able to attract and maintain its relationship with agents by offering a higher level of service than its competitors. IPF focuses on providing each agent with up-to-date information on its customers' accounts, which allows the agent to service customers' needs and minimize the number of policies that are canceled. Many of IPF's largest agents have computer terminals provided by BPN in their offices which allow on-line access to customer information. Agents for IPF receive their producer fees ($20, equal to 50% of the aforementioned $40 processing fee per contract), as collateral against early cancellations. IPF does not require return of this $20 producer fee for early policy cancellation unless the policy pays off in the first 30 days.

To minimize its exposure to reliance on a limited number of agents, the Company has instituted portfolio guidelines generally limiting the dollar amount of contracts originated by any agent to 15% of IPF's total portfolio. The Company performs a quarterly analysis of all agents based on information provided by BPN. At December 31, 1998, IPF had one agent that exceeded the 15% portfolio parameter, accounting for 32.7% of IPF's total portfolio.

UNDERWRITING STANDARDS

IPF is a secured lender, and upon default, relies on its security interest in the unearned premium held by the insurance company. IPF can, however, suffer a loss on an insurance premium finance contract for four reasons: (i) loss of all or a portion of the unearned premium due to its failure to cancel the contract on a timely basis; (ii) an insolvency of the insurance company holding the unearned premium not otherwise covered by CIGA; (iii) inadequacy of the unearned premium to cover charges in excess of unpaid principal amount; and (iv) cost of collection and administration, including the time value of money, exceeding the unpaid principal and other charges due under the contract. For the twelve months ended December 31, 1998, IPF canceled for nonpayment contracts representing approximately 42.1% of all premiums financed. Careful administration of contracts is critical to protecting IPF against loss.

Credit application are taken at the insurance agent's office. Given the secondary source of repayment on unearned premiums due from the insurance company on a canceled policy, and in most cases, access to CIGA, IPF does not carry out a credit investigation of a borrower on loans under $25,000. At December 31, 1998, IPF had one insurance premium finance loan with an original principal amount over $25,000.

SERVICING AND COLLECTION

The Company believes that an efficient and accurate servicing and collection system is the most important management tool that an insurance premium financing company can use to protect itself from losses as a result of an insured's default on a contract. The insurance premium finance industry is acutely time sensitive because insurance premiums are earned each day that an insurance policy remains in effect, thus reducing, on a daily basis, the collateral support provided by the unearned premium.

During July 1998, BPN purchased and installed a new computer system, a Proliant 2500, manufactured by Compaq Computer Corporation. In addition, BPN developed an Oracle-based management information system software which provides complete online, real-time information processing services. The system also provides direct electronic processing of many functions that were previously paper intensive. This system satisfies IPF's current requirements for (i) application processing, (ii) payment processing and collections, and (iii) monitoring and reporting, and has significant capacity remaining. The Bank purchased a 50% interest in the Oracle-based software developed by BPN for $175,000.

Billing Process. A customer's monthly payments are recorded in BPN's computer system on the date of receipt. BPN's computer system is designed to provide protection against principal loss by automatically canceling a policy no later than 18 days after the customer's latest payment due date. If a payment is not received on its due date, BPN's computer system automatically prints a notice of intent to cancel and assesses a late fee which is mailed to the insured and his or her insurance agent stating that payment must be received within 18 days after the due date or IPF will cancel the insurance policy. If payment is received within the 18 day period, BPN's computer system returns the account to normal status.

Collections Process. If IPF does not receive payment within the statutory period set forth in the notice of intent to cancel, BPN's computer system will automatically generate a cancellation notice on the next business day, instructing the insurance company to cancel the insured's insurance policy and refund any unearned premium directly to IPF for processing.

Although California law requires the insurance company to refund unearned premiums within 30 days of the cancellation date, most insurance companies pay on more extended terms. After cancellation, IPF charges certain allowable fees and continues to earn interest. Although the gross return premium may not fully cover the fees and accrued interest owed to IPF by the insured, principal generally is fully covered. Policies which are canceled in the first two months generally have a greater risk of loss of fees.

IPF charges against income a general provision for possible losses on finance receivables in such amounts as management deems appropriate. Case-by-case direct write-offs, net of recoveries on finance receivables, are charged to IPF's allowance for possible losses. This allowance amount is reviewed periodically in light of economic conditions, the status of outstanding contracts and other factors.

Insurance Company Failure. One of the principal risks involved in financing insurance premiums is the possible insolvency of an insurance company. Another risk is that an insurance company's financial circumstances cause it to delay its refunds of unearned premiums. Either event can adversely affect the yield to an insurance premium finance company on a contract. Despite the protection afforded by CIGA, IPF also reviews the ratings assigned to the insurance companies by A.M. Best or their financial statements. To minimize its exposure to risks resulting from the insolvency of an insurance company, IPF limits the number of policies financed that are issued by insurance companies rated "B" or lower by A.M. Best.

AUTOMOBILE FINANCE

BUSINESS OVERVIEW

The Company entered the subprime automobile finance business in February 1996 through the establishment of United Auto Credit Corporation ("UACC") as a subsidiary of the Bank. UACC purchases auto contracts primarily from dealers in used automobiles, approximately 79% of which have been independent dealers and 21% of which have been franchisees of automobile manufacturers. The borrowers on contracts purchased by UACC are classified as subprime because they typically have limited credit histories or credit histories that preclude them from obtaining loans through traditional sources. UACC maintains nine branch offices located in California and one each in Arizona, Colorado, Florida, Oregon, Utah and Washington. At December 31, 1998, UACC's portfolio contained 10,654 auto contracts in the aggregate gross amount of $83.9 million, including unearned finance charges of $17.4 million.

SUBPRIME AUTOMOBILE FINANCE INDUSTRY

Automobile financing is one of the largest consumer finance markets in the United States. In general, the automobile finance industry can be divided into two principal segments: a prime credit market and a subprime credit market. Traditional automobile finance companies, such as commercial banks, savings institutions, thrift and loan companies, credit unions and captive finance companies of automobile manufacturers, generally lend to the most creditworthy, or so-called prime, borrowers. The subprime automobile credit market, in which UACC operates, provides financing to borrowers who generally cannot obtain financing from traditional lenders.

Historically, traditional lenders have not serviced the subprime market or have done so only through programs that were not consistently available. Recently, however, independent companies specializing in subprime automobile financing and subsidiaries of larger financial services companies have entered this segment of the automobile finance market, but it remains highly fragmented, with no company having a significant share of the market.

BUSINESS STRATEGY

UACC's business strategy includes controlled growth at the branch level, with limited volume goals and the gradual addition of new branches. Each branch is targeted to generate between $650,000 and $750,000 in gross contracts per month within five months of opening. The Company believes that UACC's strategy of (i) controlled growth, (ii) disciplined underwriting, (iii) strong internal audit procedures and (iv) focused servicing and collection efforts at the branch level, will result in sustainable profitability and lower levels of delinquency and loss than those experienced by many of its competitors, whose rapid growth has resulted in portfolio quality problems.

The Company believes that the subprime automobile finance market is inconsistently or poorly serviced by the consumer finance industry. As a result, UACC's strategy is to differentiate itself by providing dealers with consistent, same day decisions and rapid funding of approved contracts. The Company believes that UACC is also more flexible than some of its competitors in financing older, higher mileage vehicles and maintenance warranties.

OPERATING SUMMARY

The following table presents a summary of UACC's key operating and statistical results for the years ended December 31, 1998 and 1997.

<TABLE>
<CAPTION>

	AT OR FOR THE YEAR ENDED DECEMBER 31,	
	1998	1997
	(Dollars in thousands, except portfolio and other data)	
<S>	<C>	<C>
OPERATING DATA		
Gross contracts purchased	$86,098	$44,056
Gross contracts outstanding	83,921	40,877
Unearned finance charges	17,371	10,581
Net contracts outstanding	66,550	30,296
Average purchase discount	9.12%	9.79%
APR to customers	21.31%	21.0%
Allowance for loan losses	$ 4,138	$ 1,791
LOAN QUALITY DATA		
Allowance for loan losses (% of net contracts)	6.22%	5.91%
Delinquencies (% of net contracts)		
31-60 days	0.44%	0.84%
61-90 days	0.16%	0.20%
90+ days	0.08%	0.22%

Net charge-offs (% of average net contracts)	4.56%	4.94%
Repossessions (net) (% of net contracts)	0.72%	0.64%
PORTFOLIO DATA		
Used vehicles	99.0%	99.0%
Vehicle age at time of contract (years)	6.2	6.1
Original contract term (months)	40.6	38.4
Gross amount financed to WSBB (1)	117%	116%
Net amount financed to WSBB (2)	106%	105%
Net amount financed per contract	$ 7,725	$ 7,517
Down payment	20%	20%
Monthly payment	$ 270	$ 270
OTHER DATA		
Number of branches	15	10

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(1) WSBB represents Kelly Wholesale Blue Book for used vehicles.

(2) Net amount financed equals the gross amount financed less unearned finance charges or discounts.

PRODUCTS AND PRICING

UACC targets transactions which involve (i) a used automobile with an average age of five to eight years and (ii) an average original contract term of 38 to 42 months.

The financial profile of the target transaction includes (i) an amount financed (before taxes, license, warranty and discount) equal to 95% to 100% of invoice for new vehicles or current WSBB for used vehicles (after tax, license, warranty and discount, the amount financed is targeted at 105% to 110%), (ii) a contract rate and discount which yields 28.5%, (iii) an amount financed of $7,000 to $10,000 with a down payment of 15% to 20%, and (iv) a monthly payment from $225 to $325.

The target profile of a UACC borrower includes (i) time on the job of three to five years, (ii) time at current residence of three to five years, (iii) a ratio of total debt to total income of 33% to 37%, and (iv) a ratio of total monthly automobile payments to total monthly income of 12% to 15%.

The application for an auto contract is taken by the dealer. UACC purchases the auto contract from the dealer at a discount which increases the effective yield on such contract. For the quarter ended December 31, 1998, the Company allocated 80% of the discount to the allowance for loan losses, representing 8% of the net contract amount. Management periodically reviews the portion of the discount allocated to the allowance for loan losses in light of the Company's operations and, in January 1999, increased the allocation to 9% of the net contract amount.

SALES AND MARKETING

UACC markets its financing program to both independent used and franchised automobile dealers. UACC's marketing approach emphasizes scheduled calling programs, marketing materials and consistent follow-up. The Company uses facsimile software programs to send marketing materials to established dealers and potential dealers on a twice weekly basis in each branch market. UACC's experienced local staff seeks to establish strong relationships with dealers in their vicinity.

UACC solicits business from dealers through its branch managers who meet with dealers and provide information about UACC's programs, train dealer personnel in UACC's program requirements and assist dealers in identifying consumers who qualify for UACC's programs. In order to both promote asset growth and achieve required levels of credit quality, UACC compensates its branch managers on a salary with a bonus that requires the achievement of delinquency, charge-off, volume and return on average assets targets established for the branch, as well as satisfactory audit results.

As of December 31, 1998, UACC directly marketed its programs to dealers through its 15 branch offices in California, Colorado, Washington, Utah, Oregon, Arizona and Florida.

<TABLE>
<CAPTION>

BRANCH LOCATION	DATE ESTABLISHED	GROSS CONTRACTS OUTSTANDING AT DECEMBER 31, 1998	NUMBER OF CONTRACTS PURCHASED OVER THE YEAR ENDED DECEMBER 31, 1998
		(IN THOUSANDS)	

Irvine, CA	March 1996	$10,149	620
San Diego, CA	June 1996	11,659	867
Riverside, CA	September 1996	11,940	869
San Jose, CA	November 1996	7,847	593
Los Angeles, CA	March 1997	8,978	737
San Fernando, CA	May 1997	8,679	830
Upland, CA	July 1997	7,312	804
Salt Lake City, UT	August 1997	3,517	438
Phoenix, AZ	September 1997	4,650	634
Portland, OR	December 1997	2,921	454
Denver, CO	February 1998	2,296	362
Sacramento, CA	May 1998	2,069	200
Tacoma, WA	June 1998	1,269	217
Redlands, CA	September 1998	635	70
Orlando, FL	December 1998	--	--
		$83,921	7,695

When a UACC branch decides to begin doing business with a dealer, a dealer profile and investigation worksheet are completed. UACC and the dealer enter into an agreement that provides UACC with recourse to the dealer in cases of dealer fraud or a breach of the dealer's representations and warranties. When UACC holds auto contracts aggregating $50,000 or more from a dealer, UACC obtains a Dun and Bradstreet Analysis Report for such dealer. Branch management periodically monitors each dealer's overall performance and inventory to ensure a satisfactory quality level, and regional managers regularly conduct audits of the dealer's performance.

The following table sets forth certain data for auto contracts purchased by UACC for the periods indicated.

	For the Quarter Ended			
	March 31, 1998	June 30, 1998	September 30, 1998	December 31, 1998
	(Dollars in thousands)			
Gross amount of contracts	$ 17,774	$ 19,881	$ 23,044	$ 25,399
Average original term of contracts (months)	39.2	40.5	40.8	40.8

At December 31, 1997, 95% of UACC's auto contracts were written by its California branches. During the last half of 1997 and 1998, UACC expanded into Salt Lake City, Phoenix, Portland, Denver, Tacoma and Orlando thereby reducing the level of auto contracts written by its California branches to 73% at December 31, 1998. In addition to diversifying its geographic concentrations, UACC intends to maintain a broad dealer base to avoid dependence on a limited number of dealers. At December 31, 1998, no dealer accounted for more than 2.1% of UACC's portfolio and the ten dealers from which UACC purchased the most contracts accounted for approximately 13.6% of its aggregate portfolio.

UNDERWRITING STANDARDS AND PURCHASE OF CONTRACTS

Underwriting Standards and Purchase Criteria. Dealers submit credit applications directly to UACC's branches. UACC uses credit bureau reports in conjunction with information on the credit application to make a final credit decision or a decision to request additional information. Only credit bureau reports that have been obtained by UACC are acceptable.

UACC's credit policy places specific accountability for credit decisions directly within the branches. The branch manager or assistant branch manager reviews all credit applications. In general, no branch manager will have credit approval authority for contracts greater than $15,000. Any transaction that exceeds a branch manager's approval limit must be approved by UACC's Regional Manager, Operations Manager or President.

Verification. Upon approving or conditioning any application, all required stipulations are presented to the dealer and must be satisfied before funding.

All dealers are required to provide UACC with written evidence of insurance in force on a vehicle being financed when submitting the contract for purchase. Prior to funding a contract, the branch must verify by telephone with the insurance agent the customer's insurance coverage with UACC as loss payee. If UACC receives notice of insurance cancellation or non-renewal, the branch will notify the customer of his or her contractual obligation to maintain insurance coverage at all times on the vehicle. However, UACC will not "force place" insurance on an account if insurance lapses and, accordingly, UACC bears the risk of an uninsured loss in these circumstances.

Post-Funding Quality Reviews. UACC's Regional Manager and Operations Manager complete quality control reviews of the newly originated auto contracts. These reviews focus on compliance with underwriting

standards, the quality of the credit decision and the completeness of auto contract documentation. Additionally, UACC's Regional Manager and Operations Manager complete regular branch audits that focus on compliance with UACC's policies and procedures and the overall quality of branch operations and credit decisions.

SERVICING AND COLLECTION

UACC services at the branch level all of the auto contracts it purchases.

Billing Process. UACC sends each borrower a coupon book. All payments are directed to the customer's respective UACC branch. UACC also accepts payments delivered to the branch by a customer in person.

Collection Process. UACC's collection policy calls for the following sequence of actions to be taken with regard to all problem loans: (i) call the borrower at one day past due; (ii) immediate follow-up on all broken promises to pay; (iii) branch management review of all accounts at ten days past due; and (iv) Regional Manager or Operations Manager review of all accounts at 45 days past due.

UACC will consider extensions or modifications in working a collection problem. All extensions and modification require the approval of the branch manager, and are monitored by the Regional Manager and Operations Manager.

Repossessions. It is UACC's policy to repossess the financed vehicle only when (i) payments are substantially in default, (ii) the customer demonstrates an intention not to pay or (iii) the customer fails to comply with material provisions of the contract. All repossessions require the prior approval of the branch manager. In certain cases, the customer is able to pay the balance due or bring the account current, thereby redeeming the vehicle.

When a vehicle is repossessed and sold at an automobile auction or through a private sale, the sale proceeds are subtracted from the net outstanding balance of the loan with any remaining amount recorded as a loss. UACC generally pursues all customer deficiencies.

Allowance for Loan Losses. UACC's policy is to place on nonaccrual status accounts delinquent in excess of 120 days on a contractual basis, and to reverse all previously accrued but unpaid interest on such accounts. Accounts that have had their collateral repossessed are placed on nonaccrual by the end of the month in which they are repossessed regardless of delinquency status. Accounts are not returned to accrual status until they are brought current.

UACC's policy is to charge-off accounts delinquent in excess of 120 days. The remaining balance of accounts where the collateral has been repossessed and sold is charged-off by the end of the month in which the collateral is sold and the proceeds collected.

Loss reserves based on expected losses over the life of the contract are established when each contract is purchased from the dealer. The reserve is provided from the dealer discount that is taken on each transaction. Loss reserve analyses are performed regularly to determine the adequacy of current reserve levels. For the quarter ended December 31, 1998, the Company allocated 8% of the net contract purchased to the allowance for loan losses. The loss allowances recorded at the time of purchase represent an estimate of expected losses for these loans. If actual experience exceeds estimates, an additional provision for losses is established as a charge against earnings. Management periodically reviews the portion of the discount allocated to the allowance for loan losses in light of the Company's operations and, in January 1999, increased the allocation to 9% of the net contract amount.

The following table reflects UACC's cumulative losses (i.e., net charge-offs as a percent of original net contract balances) for each contract pool (defined as the total dollar amount of net contracts purchased in a six month period) purchased since UACC's inception.

<TABLE>
<CAPTION>

Number of Months Outstanding	Mar. 1996 - Sept. 1996	Oct. 1996 - Mar. 1997	Apr. 1997 - Sept. 1997	Oct. 1997 - Mar. 1998	Apr. 1998 - Sept. 1998	Oct. 1998 - Dec. 1998

1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
5	0.0%	0.0%	0.1%	0.1%	0.1%	
7	0.3%	0.4%	0.5%	0.5%	0.5%	
9	1.0%	0.9%	1.1%	1.2%	1.1%	
11	2.8%	2.1%	2.3%	2.1%		
13	4.4%	3.1%	3.3%	2.9%		
15	5.9%	4.1%	4.2%	3.7%		
17	6.8%	4.8%	4.8%			
19	7.7%	5.4%	5.3%			
21	8.5%	5.8%	5.7%			
23	8.7%	6.3%				
25	9.1%	6.6%				
27	9.2%	7.2%				
29	9.3%					
31	9.6%					
33	9.9%					
Original Pool ($000)	$ 4,885	$ 9,297	$ 15,575	$ 22,488	$ 30,271	$ 17,951
Remaining Pool ($000)	$ 953	$ 2,953	$ 7,499	$ 14,768	$ 24,783	$ 16,505
(%)	19%	32%	48%	66%	82%	92%

UACC purchased its first auto contracts in March 1996 and, accordingly, a maximum of 33 months of loss history was available at December 31, 1998.

PAN AMERICAN BANK, FSB

BUSINESS OVERVIEW

The Bank is a federally chartered stock savings bank formed in 1994 to purchase from the RTC certain assets and to assume certain liabilities of the Bank's predecessor, Pan American Federal Savings Bank. The Bank has been the principal funding source to date for the Company's residential mortgage, insurance premium and automobile finance businesses primarily through its deposits, FHLB advances, warehouse lines of credit and whole loan sales. In addition, the Bank holds a portfolio of primarily traditional residential mortgage loans acquired from the RTC in 1994 and 1995 at a discount from the unpaid principal balance of such loans, which loans aggregated $32.3 million (before unearned discounts and premiums) at December 31, 1998. The Bank has focused its branch marketing efforts on building a middle income customer base, including efforts targeted at local Hispanic communities. The Bank has bilingual employees in each of its branches, and key members of the Company's and the Bank's Board of Directors and management are of Hispanic heritage and are active in communities served by the Bank. In addition to operating its retail banking business at four branches located in Northern California and one in Southern California, the Bank provides, subject to appropriate cost sharing arrangements, compliance, risk management, executive, financial, facilities and human resources management to other business units of the Company. The business of the Bank is subject to substantial government supervision and regulatory requirement. See "--Supervision and Regulation - Business Savings Bank Regulation."

INDUSTRY SEGMENTS

Information regarding industry segments is set forth in Footnote Number 21 to the Consolidated Financial Statements included in Item 8 to this Annual Report on Form 10-K.

COMPETITION

Each of the Company's businesses is highly competitive. Competition in the Company's markets can take many forms, including convenience in obtaining a loan, customer service, marketing and distribution channels, amount and terms of the loan, loan origination fees and interest rates. Many of the Company's competitors are substantially larger and have considerably greater financial, technical and marketing resources than the Company. The Company's competitors in subprime mortgage finance include other consumer finance companies, mortgage banking companies, commercial banks, credit unions, savings associations and insurance companies. The Company competes in the insurance premium finance business with other specialty finance companies, independent insurance agents who offer premium finance services, captive premium finance affiliates of insurance companies and direct bill plans established by insurance companies. The Company competes in the subprime automobile finance industry with commercial banks, the captive finance affiliates of automobile manufacturers, savings associations and companies specializing in subprime automobile finance, many of which have established relationships with automobile dealerships and may offer dealerships or their customers other forms of financing, including dealer floor plan financing and lending, which are not offered by the Company. In attracting deposits, the Bank competes primarily with other savings institutions, commercial banks, brokerage firms, mutual funds, credit unions and other types of investment companies.

The historical profitability of the subprime lending industry and the low barriers to entry has attracted competitors. Certain large, national finance companies and mortgage originators have announced their intention to adapt their mortgage loan origination programs and allocate resources to the origination of subprime loans. The Company and its competitors may also face increasing competition from governmental-sponsored entities, such as FNMA and FHLMC. FHLMC currently purchases what it terms "Alternative-A" mortgage loans and may establish a program to purchase so-called "B" and "C" mortgage loans in the future. FHLMC also has purchased securities backed by subprime mortgage loans and has re-securitized them for resale. Additional competition may lower the rates the Company can charge borrowers, reduce the volume of the Company's loan origination and increase demand for the Company's key employees with the potential that such employees will leave the Company for its competitors.

Fluctuations in interest rates and general and localized economic conditions also may affect the competition the Company faces. Competitors with lower costs of capital have a competitive advantage over the Company. During periods of declining interest rates, competitors may solicit the Company's customers to refinance their loans. In addition, during periods of economic slowdown or recession, the Company's borrowers may face financial difficulties and be more receptive to offers of the Company's competitors to refinance their loans. As the Company seeks to expand into new geographic markets, it will face additional competition from lenders already established in these markets.

EMPLOYEES

At December 31, 1998, the Company had 592 full-time equivalent employees. The Company believes its relations with its employees are satisfactory.

SUPERVISION AND REGULATION

Set forth below is a brief description of various laws and regulations affecting the operations of the Company and its subsidiaries. The description of laws and regulations contained herein does not purport to be complete and is qualified in its entirety by reference to applicable laws and regulations. Any change in

applicable laws, regulations or regulatory policies may have a material effect on the business, operations and prospects of the Company.

HOLDING COMPANY REGULATION

General. The Company is a unitary savings and loan holding company subject to regulatory oversight by the Office of Thrift Supervision (the "OTS"). For purposes of this discussion, the description of holding company regulation also applies to PAFI, a direct subsidiary of the Company and the parent of the Bank. As such, the Company is required to register and file reports with the OTS and is subject to regulation and examination by the OTS. In addition, the OTS has enforcement authority over the Company and its subsidiaries, which also permits the OTS to restrict or prohibit activities that are determined to be a serious risk to the subsidiary savings association. This regulation is intended primarily for the protection of depositors and the Savings Association Insurance Fund ("SAIF") and not for the benefit of shareholders of the Company.

Qualified Thrift Lender Test. As a unitary savings and loan holding company, the Company generally is not subject to activity restrictions, provided the Bank satisfies the Qualified Thrift Lender ("QTL") test or meets the definition of domestic building and loan association pursuant to section 7701 of the Internal Revenue Code of 1986, as amended (the "Code"). If the Company acquires control of another savings association as a separate subsidiary, it would become a multiple savings and loan holding company, and the activities of the Company and any of its subsidiaries (other than the Bank or any other SAIF-insured savings association) would become subject to restrictions applicable to bank holding companies unless such other associations each also qualify as a QTL or domestic building and loan association and were acquired in a supervisory acquisition. See "- Business Savings Bank Regulation - Qualified Thrift Lender Test."

Restrictions on Acquisitions. The Company must obtain approval from the OTS before acquiring control of any other SAIF-insured association. Such acquisitions are generally prohibited if they result in a multiple savings and loan holding company controlling savings associations in more than one state. However, such interstate acquisitions are permitted based on specific state authorization or in a supervisory acquisition of a failing savings association.

Federal law generally provides that no "person," acting directly or indirectly or through or in concert with one or more other persons, may acquire "control," as that term is defined in OTS regulations, of a federally insured savings association without giving at least 60 days written notice to the OTS and providing the OTS an opportunity to disapprove the proposed acquisition. In addition, no company may acquire control of such an institution without prior OTS approval. These provisions also prohibit, among other things, any director or officer of a savings and loan holding company, or any individual who owns or controls more than 25% of the voting shares of a savings and loan holding company, from acquiring control of any savings association not a subsidiary of the savings and loan holding company, unless the acquisition is approved by the OTS.

REGULATION OF MORTGAGE FINANCE OPERATION

The consumer financing industry is a highly regulated industry. UPAM's business is subject to extensive and complex rules and regulations of, and examinations by, various federal, state and local government authorities. These rules and regulations impose obligations and restrictions on UPAM's loan origination, credit activities and secured transactions. In addition, these rules limit the interest rates, finance charges and other fees UPAM may assess, mandate extensive disclosure to UPAM's customers, prohibit discrimination and impose multiple qualification and licensing obligations on UPAM. Failure to comply with these requirements may result in, among other things, demands for indemnification or mortgage loan repurchases, certain rights of rescission for mortgage loans, class action lawsuits, administrative enforcement actions and civil and criminal liability. Management of UPAM believes that UPAM is in compliance with these rules and regulations in all material respects.

UPAM's loan origination activities are subject to the laws and regulations in each of the states in which those activities are conducted. UPAM's lending activities are also subject to various federal laws, including those described below.

UPAM is subject to certain disclosure requirements under the Truth in Lending Act ("TILA") and the Federal Reserve Board's Regulation Z promulgated thereunder. TILA is designed to provide consumers with uniform, understandable information with respect to the terms and conditions of loan and credit transactions. TILA also guarantees consumers a three-day right to cancel certain credit transactions, including loans of the type originated by UPAM. Such three-day right to rescind may remain unexpired for up to three years if the lender fails to provide the requisite disclosures to the consumer.

UPAM originates loans which are subject to the Home Ownership and Equity Protection Act of 1994 (the "High Cost Mortgage Act"), which makes certain amendments to TILA. The High Cost Mortgage Act generally applies to consumer credit transactions secured by the consumer's principal residence, other than residential mortgage transactions, reverse mortgage transactions or transactions under an open-end credit plan, in which the loan has either (i) total points and fees upon origination in excess of the greater of eight percent of the loan amount or $435 or (ii) an annual percentage rate of more than ten percentage points higher than United States Treasury securities of comparable maturity ("Covered Loans"). The High Cost Mortgage Act imposes additional disclosure requirements on lenders originating Covered Loans. In addition, it prohibits lenders from, among other things, originating Covered Loans that are underwritten solely on the basis of the borrower's home equity without regard to the borrower's ability to repay the loan and including prepayment fee clauses in Covered Loans to borrowers with a debt-to-income ratio in excess of 50% or Covered Loans used to refinance existing loans originated by the same lender. The High Cost Mortgage Act also restricts, among other things, certain balloon payments and negative amortization features. UPAM commenced originating Covered Loans during 1996.

UPAM is also required to comply with the Equal Credit Opportunity Act ("ECOA") and the Federal Reserve Board's Regulation B promulgated thereunder, the Fair Credit Reporting Act ("FCRA"), the Real Estate Settlement Procedures Act of 1974 ("RESPA") and the Home Mortgage Disclosure Act ("HMDA"). Regulation B restricts creditors from requesting certain types of information from loan applicants. FCRA requires lenders, among other things, to supply an applicant with certain information if the lender denies the applicant credit. RESPA requires lenders, among other things, to supply an applicant with certain disclosures concerning settlement fees and changes and mortgage servicing transfer practices. It also prohibits the payment or receipt of kickbacks or referral fees in connection with the performance of settlement services. In addition, beginning with loans originated in 1994, UPAM must file an annual report with the Department of Housing and Urban Development pursuant to HMDA, which requires the collection and reporting of statistical data concerning loan transactions.

In the course of its business, UPAM may acquire properties securing loans that are in default. There is a risk that hazardous or toxic waste could be found on such properties. In such event, UPAM could be held responsible for the cost of cleaning up or removing such waste, and such cost could exceed the value of the underlying properties.

Because UPAM's business is highly regulated, the laws, rules and regulations applicable to UPAM are subject to regular modification. There are currently proposed various laws, rules and regulations which, if adopted, could materially affect UPAM's business. There can be no assurance that these proposed laws, rules and regulations, or other such laws, rules or regulations, will not be adopted in the future which could make compliance much more difficult or expensive, restrict UPAM's ability to originate, broker or sell loans, further limit or restrict the amount of commissions, interest and other charges earned on loans originated, brokered or sold by UPAM, or otherwise adversely affect the business or prospects of UPAM.

REGULATION OF INSURANCE PREMIUM FINANCE COMPANIES

The auto insurance premium finance industry is subject to state regulations. The regulatory structure of each state places certain restrictions on the terms of loans made to finance insurance premiums. These restrictions, among other things, generally provide that the lender must provide certain cancellation notices to the insured and the insurer in order to exercise an assigned right to cancel an automobile insurance policy in the event of a default under an insurance premium finance agreement and to obtain in connection therewith a return from the insurer of any unearned premiums that have been assigned by the insured to the lender. Such state laws also require that certain disclosures be delivered by the insurance agent or broker arranging for such credit to the insured regarding the amount of compensation to be received by such agent or broker from the lender.

REGULATION OF SUBPRIME AUTOMOBILE LENDING

UACC's automobile lending activities are subject to various federal and state consumer protection laws, including TILA, ECOA, FCRA, the Federal Fair Debt Collection Practices Act, the Federal Trade Commission Act, the Federal Reserve Board's Regulations B and Z, and state motor vehicle retail installment sales acts. Retail installment sales acts and other similar laws regulate the origination and collection of consumer receivables and impact UACC's business. These laws, among other things, (i) require UACC to obtain and maintain certain licenses and qualifications, (ii) limit the finance charges, fees and other charges on the contracts purchased, (iii) require UACC to provide specified disclosures to consumers, (iv) limit the terms of the contracts, (v) regulate the credit application and evaluation process, (vi) regulate certain servicing and collection practices, and (vii) regulate the repossession and sale of collateral. These laws impose specific statutory liabilities upon creditors who fail to comply with their provisions and may give rise to a defense to payment of the consumer's obligation. In addition, certain of the laws make the assignee of a consumer installment contract liable for the violations of the assignor. See "--Regulation of Mortgage Finance Operation."

Each dealer agreement contains representations and warranties by the dealer that, as of the date of assignment, the dealer has compiled with all applicable laws and regulations with respect to each contract. The dealer is obligated to indemnify UACC for any breach of any of the representations and warranties and to repurchase any non-conforming contracts. UACC generally verifies dealer compliance with usury laws, but does not audit a dealer's full compliance with applicable laws. There can be no assurance that UACC will detect all dealer violations or that individual dealers will have the financial ability and resources either to repurchase contracts or indemnify UACC against losses. Accordingly, failure by dealers to comply with applicable laws, or with their representations and warranties under the dealer agreement, could have a material adverse affect on UACC.

UACC believes it is currently in compliance in all material respects with applicable laws, but there can be no assurance that UACC will be able to maintain such compliance. The failure to comply with such laws, or a determination by a court that UACC's interpretation of any such law was erroneous, could have a material adverse effect upon UACC. Furthermore, the adoption of additional laws, changes in the interpretation and enforcement of current laws or the expansion of UACC's business into jurisdictions that have adopted more stringent regulatory requirements than those in which UACC currently conducts business, could have a material adverse affect upon UACC.

If a borrower defaults on a contract, UACC, as the servicer of the contract, is entitled to exercise the remedies of a secured party under the Uniform Commercial Code as adopted in a particular state (the "UCC"), which typically includes the right to repossession by self-help unless such means would constitute a breach of the peace. The UCC and other state laws regulate repossession and sales of collateral by requiring reasonable notice to the borrower of the date, time and place of any public sale of collateral, the date after which any private sale of the collateral may be held and the borrower's right to redeem the financed vehicle prior to any such sale, and by providing that any such sale must be conducted in a commercially reasonable manner.

Financed vehicles repossessed generally are resold by UACC through unaffiliated wholesale automobile networks or auctions which are attended principally by used automobile dealers.

BUSINESS SAVINGS BANK REGULATION

As a federally chartered, SAIF-insured savings association, the Bank is subject to extensive regulation by the OTS and the Federal Deposit Insurance Corporation ("FDIC"). Lending activities and other investments of the Bank must comply with various statutory and regulatory requirements. The Bank is also subject to certain reserve requirements promulgated by the Board of Governors of the Federal Reserve System ("Federal Reserve Board").

The OTS, in conjunction with the FDIC, regularly examines the Bank and prepares reports for the consideration of the Bank's Board of Directors on any deficiencies found in the operations of the Bank. The relationship between the Bank and depositors and borrowers is also regulated by federal and state laws, especially in such matters as the ownership of savings accounts and the form and content of mortgage documents utilized by the Bank.

The Bank must file reports with the OTS and the FDIC concerning its activities and financial condition, in addition to obtaining regulatory approvals prior to entering into certain transactions such as mergers with or acquisitions of other financial institutions. This regulation and supervision establishes a comprehensive framework of activities in which an institution can engage and is intended primarily for the protection of the SAIF and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such regulations, whether by the OTS, the FDIC, or the Congress could have a material adverse impact on the Company, the Bank, and their operations.

Insurance of Deposit Accounts. The Bank's deposit accounts are insured by the SAIF, as administered by the FDIC, up to the maximum amount permitted by law. Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order, or condition imposed by the FDIC or the institution's primary regulator.

The FDIC charges an annual assessment for the insurance of deposits based on the risk a particular institution poses to its deposit insurance fund. Under this system as of December 31, 1995, SAIF members paid within a range of 23 cents to 31 cents per $100 of domestic deposits, depending upon the institution's risk classification. This risk classification is based on an institution's capital group and supervisory subgroup assignment. Pursuant to the Economic Growth and Paperwork Reduction Act of 1996 (the "Paperwork Reduction Act"), the FDIC imposed a special assessment on SAIF members to capitalize the SAIF at the designated reserve level of 1.25% as of October 1, 1996. Based on the Bank's deposits as of March 31, 1995, the date for measuring the amount of the special assessment pursuant to the Paperwork Reduction Act, the Bank paid a special assessment of $820,000 (pre-tax) to recapitalize the SAIF. This expense was accrued in December 1996 and paid in June 1997.

Pursuant to the Paperwork Reduction Act, the Bank pays, in addition to its normal deposit insurance premium as a member of the SAIF ranging from 0 to 27 basis points as of October 1, 1996, an amount equal to approximately 6.4 basis points toward the retirement of the Financing Corporation bonds ("Fico Bonds") issued in the 1980s to assist in the recovery of the savings and loan industry. Members of the Bank Insurance Fund ("BIF"), by contrast, pay, in addition to their normal deposit insurance premium, approximately 1.3 basis points. Under the Paperwork Reduction Act, the FDIC also is not permitted to establish SAIF assessment rates that are lower than comparable BIF assessment rates. Beginning no later than January 1, 2000, the rate paid to retire the Fico Bonds will be equal for members of the BIF and the SAIF. The Paperwork Reduction Act also

provided for the merging of the BIF and the SAIF by January 1, 1999 provided there were no financial institutions still chartered as savings associations at that time. Although legislation to eliminate the savings association charter had been proposed, at January 1, 1999, financial institutions such as the Bank were still chartered as savings associations. Should the insurance funds be merged before January 1, 2000, the rate paid by all members of this new fund to retire the Fico Bonds would be equal.

Regulatory Capital Requirements. OTS capital regulations require savings associations to meet three capital standards: (1) tangible capital equal to 1.5%

of total adjusted assets, (2) leverage capital (core capital) equal to 3% of total adjusted assets, and (3) risk-based capital equal to 8.0% of total risk-based assets. The Bank must meet each of these standards in order to be deemed in compliance with OTS capital requirements. In addition, the OTS may require a savings association to maintain capital above the minimum capital levels.

Under OTS regulations, a savings association with a greater than "normal" level of interest rate exposure must deduct an interest rate risk ("IRR") component in calculating its total capital for purposes of determining whether it meets its risk-based capital requirement. Interest rate exposure is measured, generally, as the decline in an institution's net portfolio value that would result from a 200 basis point increase or decrease in market interest rates (whichever would result in lower net portfolio value), divided by the estimated economic value of the savings association's assets. The interest rate risk component to be deducted from total capital is equal to one-half of the difference between an institution's measured exposure and "normal" IRR exposure (which is defined as 2%), multiplied by the estimated economic value of the institution's assets. In August 1995, the OTS indefinitely delayed implementation of its IRR regulation. Based on information voluntarily supplied to the OTS, at December 31, 1998, the Bank would not have been required to deduct an IRR component in calculating total risk-based capital had the IRR component of the capital regulations been in effect.

These capital requirements are viewed as minimum standards by the OTS, and most institutions are expected to maintain capital levels well above the minimum. In addition, the OTS regulations provide that minimum capital levels higher than those provided in the regulations may be established by the OTS for individual savings associations, upon a determination that the savings association's capital is or may become inadequate in view of its circumstances. The OTS regulations provide that higher individual minimum regulatory capital requirements may be appropriate in circumstances where, among others: (1) a savings association has a high degree of exposure to interest rate risk, prepayment risk, credit risk, concentration of credit risk, certain risks arising from nontraditional activities, or similar risks or a high proportion of off-balance sheet risk; (2) a savings association is growing, either internally or through acquisitions, at such a rate that supervisory problems are presented that are not dealt with adequately by OTS regulations; and (3) a savings association may be adversely affected by activities or condition of its holding company, affiliates, subsidiaries, or other persons, or savings associations with which it has significant business relationships. The Bank is not subject to any such individual minimum regulatory capital requirement.

As shown below, the Bank's regulatory capital exceeded all minimum regulatory capital requirements applicable to it as of December 31, 1998.

<TABLE>
<CAPTION>

	Amount	Percent of Adjusted Assets
	(Dollars in Thousands)	
<S>	<C>	<C>
GAAP Capital	$ 31,654	7.47%
TANGIBLE CAPITAL: (1)		
Regulatory requirement	$ 6,321	1.50%
Actual capital	29,251	6.94%
Excess	$ 22,930	5.44%
LEVERAGE (CORE) CAPITAL: (1)		
Regulatory requirement	$ 12,642	3.00%
Actual capital	29,251	6.94%
Excess	$ 16,609	3.94%
RISK-BASED CAPITAL: (2)		
Regulatory requirement	$ 24,625	8.00%
Actual capital	33,154	10.77%
Excess	$ 8,529	2.77%

</TABLE>

(1) Regulatory capital reflects modifications from GAAP capital due to goodwill and other intangible assets and a portion of deferred tax assets not permitted to be included in regulatory capital.

(2) Based on risk-weighted assets of $307.8 million.

The Home Owners' Loan Act ("HOLA") permits savings associations not in compliance with the OTS capital standards to seek an exemption from certain penalties or sanctions for noncompliance. Such an exemption will be granted only if certain strict requirements are met, and must be denied under certain circumstances. If an exemption is granted by the OTS, the savings association still may be subject to enforcement actions for other violations of law or unsafe or unsound practices or conditions.

Prompt Corrective Action. The prompt corrective action regulation of the OTS, requires certain mandatory actions and authorizes certain other discretionary actions to be taken by the OTS against a savings association that falls within certain undercapitalized capital categories specified in the regulation.

The regulation establishes five categories of capital classification: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized." Under the regulation, the risk-based capital, leverage capital, and tangible capital ratios are used to determine an institution's capital classification. At December 31, 1998, the Bank met the capital requirements of a "well capitalized" institution under applicable OTS regulations.

In general, the prompt corrective action regulation prohibits an insured depository institution from declaring any dividends, making any other capital distribution, or paying a management fee to a controlling person if, following the distribution or payment, the institution would be within any of the three undercapitalized categories. In addition, adequately capitalized institutions may accept Brokered Deposits only with a waiver from the FDIC and are subject to restrictions on the interest rates that can be paid on such deposits. Undercapitalized institutions may not accept, renew, or roll-over Brokered Deposits.

If the OTS determines that an institution is in an unsafe or unsound condition, or if the institution is deemed to be engaging in an unsafe and unsound practice, the OTS may, if the institution is well capitalized,

reclassify it as adequately capitalized; if the institution is adequately capitalized but not well capitalized, require it to comply with restrictions applicable to undercapitalized institutions; and, if the institution is undercapitalized, require it to comply with certain restrictions applicable to significantly undercapitalized institutions.

Loans-to-One Borrower. Savings associations generally are subject to the lending limits applicable to national banks. With certain limited exceptions, the maximum amount that a savings association or a national bank may lend to any borrower (including certain related entities of the borrower) at one time may not exceed 15% of the unimpaired capital and surplus of the institution, plus an additional 10% of unimpaired capital and surplus for loans fully secured by readily marketable collateral. Savings associations are additionally authorized to make loans to one borrower, for any purpose, in an amount not to exceed $500,000 or, by order of the Director of OTS, in an amount not to exceed the lesser of $30,000,000 or 30% of unimpaired capital and surplus to develop residential housing, provided: (i) the purchase price of each single-family dwelling in the development does not exceed $500,000; (ii) the savings association is in compliance with its fully phased-in capital requirements; (iii) the loans comply with applicable loan-to-value requirements, and (iv) the aggregate amount of loans made under this authority does not exceed 150% of unimpaired capital and surplus. At December 31, 1998, the Bank's loans-to-one-borrower limit was $4.4 million based upon the 15% of unimpaired capital and surplus measurement.

Qualified Thrift Lender Test. Savings associations must meet a QTL test, which test may be met either by maintaining a specified level of assets in qualified thrift investments as specified in HOLA or by meeting the definition of a "domestic building and loan association" in section 7701 of the Code. If the Bank maintains an appropriate level of certain specified investments (primarily residential mortgages and related investments, including certain mortgage-related securities) and otherwise qualifies as a QTL or a domestic building and loan association, it will continue to enjoy full borrowing privileges from the Federal Home Loan Bank ("FHLB"). The required percentage of investments under HOLA is 65% of assets while the Code requires investments of 60% of assets. An association must be in compliance with the QTL test or the definition of domestic building and loan association on a monthly basis in nine out of every 12 months. Associations that fail to meet the QTL test will generally be prohibited from engaging in any activity not permitted for both a national bank and a savings association. As of December 31, 1998, the Bank was in compliance with its QTL requirement and met the definition of a domestic building and loan association.

Affiliate Transactions. Transactions between a savings association and its "affiliates" are subject to quantitative and qualitative restrictions under Sections 23A and 23B of the Federal Reserve Act. Affiliates of a savings association include, among other entities, the savings association's holding company and companies that are under common control with the savings association.

In general, Sections 23A and 23B and OTS regulations issued in connection therewith limit the extent to which a savings association or its subsidiaries may engage in certain "covered transactions" with affiliates to an amount equal to 10% of the association's capital and surplus, in the case of covered transactions with any one affiliate, and to an amount equal to 20% of such capital and surplus, in the case of covered transactions with all affiliates. In addition, a savings association and its subsidiaries may engage in covered transactions and certain other transactions only on terms and under circumstances that are substantially the same, or at least as favorable to the savings association or its subsidiary, as those prevailing at the time for comparable transactions with nonaffiliated companies. A "covered transaction" is defined to include a loan or extension of credit to an affiliate; a purchase of investment securities issued by an affiliate; a purchase of assets from an affiliate, with certain exceptions; the acceptance of securities issued by an affiliate as collateral for a loan or extension of credit to any party; or the issuance of a guarantee, acceptance, or letter of credit on behalf of an affiliate.

In addition, under the OTS regulations, a savings association may not make a loan or extension of credit to an affiliate unless the affiliate is engaged only in activities permissible for bank holding companies; a savings association may not purchase or invest in securities of an affiliate other than shares of a subsidiary; a

savings association and its subsidiaries may not purchase a low-quality asset from an affiliate; and covered transactions and certain other transactions between a savings association or its subsidiaries and an affiliate must be on terms and conditions that are consistent with safe and sound banking practices. With certain exceptions, each loan or extension of credit by a savings association to an affiliate must be secured by collateral with a market value ranging from 100% to 130% (depending on the type of collateral) of the amount of the loan or extension of credit.

The OTS regulation generally excludes all non-bank and non-savings association subsidiaries of savings associations from treatment as affiliates, except to the extent that the OTS or the Federal Reserve Board decides to treat such subsidiaries as affiliates. The regulation also requires savings associations to make and retain records that reflect affiliate transactions in reasonable detail, and provides that certain classes of savings associations may be required to give the OTS prior notice of affiliate transactions.

Capital Distribution Limitations. OTS regulations impose limitations upon all capital distributions by savings associations, such as cash dividends, payments to repurchase or otherwise acquire its shares, payments to shareholders of another institution in a cash-out merger and other distributions charged against capital. The OTS recently adopted an amendment to these capital distribution limitations. Under the new rule, a savings association in certain circumstances may be required to file an application and await approval from the OTS prior to making a capital distribution, may be required to file a notice 30 days prior to the capital distribution, or may be permitted to make the capital distribution without notice or application to the OTS.

An application is required (1) if the savings association is not eligible for expedited treatment of its other applications under OTS regulations; (2) the total amount of all of capital distributions (including the proposed capital distribution) for the applicable calendar year exceeds net income for that year to date plus retained net income for the preceding two years; (3) the savings association would not be at least adequately capitalized, under the prompt corrective action regulations of the OTS following the distribution; or (4) the savings association's proposed capital distribution would violate a prohibition contained in any applicable statute, regulation, or agreement between the savings association and the OTS (or the FDIC), or violate a condition imposed on the savings association in an OTS-approved application or notice.

A notice of a capital distribution is required if a savings association is not required to file an application, but: (1) would not be well capitalized under the prompt corrective action regulations of the OTS following the distribution; (2) the proposed capital distribution would reduce the amount of or retire any part of your common or preferred stock or retire any part of debt instruments such as notes or debentures included in capital (other than regular payments required under a debt instrument approved by the OTS); or (3) the savings association is a subsidiary of a savings and loan holding company.

If neither the savings association nor the proposed capital distribution meet any of the above listed criteria, no application or notice is required for the savings association to make a capital distribution. The OTS may prohibit the proposed capital distribution that would otherwise be permitted if the OTS determines that the distribution would constitute an unsafe or unsound practice.

Activities of Subsidiaries. Federally chartered savings associations, such as the Bank, are permitted to invest up to 2% of their assets in the capital stock of, or secured or unsecured loans to, subsidiary service corporations, with an additional investment of 1% of assets when such additional investment is utilized primarily for community development purposes. Under the 2% limitation, the Bank was permitted to invest up to approximately $8.5 million at December 31, 1998. A savings association seeking to establish a new subsidiary, acquire control of an existing company or conduct a new activity through a subsidiary must provide 30 days prior notice to the FDIC and the OTS and conduct any activities of the subsidiary in accordance with regulations and orders of the OTS. The OTS has the power to require a savings association to divest any subsidiary or terminate any activity conducted by a subsidiary that the OTS determines to pose a serious threat

to the financial safety, soundness or stability of the savings association or to be otherwise inconsistent with sound banking practices.

Recent Legislation. Congress has been considering legislation in various forms that would require federal thrifts, such as the Bank, to convert their charters to national or state bank charters. The Treasury Department has been studying the development of a common charter for federal savings associations and commercial banks. Pursuant to the Paperwork Reduction Act, if the thrift charter is eliminated after January 1, 1999, the Paperwork Reduction Act would require the merger of the BIF and the SAIF into a single Deposit Insurance Fund on that date. In the absence of appropriate "grandfather" provisions, legislation eliminating the thrift charter could have a material adverse effect on the Bank and the Company because, among other things, the regulatory, capital, and accounting treatment for national and state banks and savings associations differs in certain significant respects. The Bank cannot determine whether, or in what form, such legislation may eventually be enacted and there can be no assurance that any legislation that is enacted would contain adequate grandfather rights for the Bank and the Company.

Year 2000 Compliance. The Federal Financial Institutions Examination Council issued an interagency statement to the chief executive officers of all federally supervised financial institutions regarding year 2000 project management awareness. It is expected that unless financial institutions address the technology issues relating to the coming of the year 2000, there will be major disruptions in the operations of financial institutions. The statement provides guidance to financial institutions, providers of data services, and all examining personnel of the federal banking agencies regarding the year 2000 problem. The federal banking agencies intend to conduct year 2000 compliance examinations, and the failure to implement a year 2000 program may be seen by the federal banking agencies as an unsafe and unsound banking practice. If a federal banking agency determines that the Bank is operating in an unsafe and unsound manner, the Bank may be required to submit a compliance plan. Failure to submit a compliance plan or to implement an accepted plan may result in enforcement action being taken, which may include a cease and desist order and fines. To date, the OTS has completed three regular examinations of the Bank's Year 2000 compliance programs, and it is expected that they will complete two additional examinations by the end of 1999.

Community Reinvestment Act and the Fair Lending Laws. Savings associations have a responsibility under the Community Reinvestment Act ("CRA") and related regulations of the OTS to help meet the credit needs of their communities, including low- and moderate-income neighborhoods. In addition, the ECOA and the Fair Housing Act (together, the "Fair Lending Laws") prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. An institution's failure to comply with the provisions of CRA could, at a minimum, result in regulatory restrictions on its activities and the denial of certain applications, and failure to comply with the Fair Lending Laws could result in enforcement actions by the OTS, as well as other federal regulatory agencies and the Department of Justice.

Federal Home Loan Bank System. The Bank is a member of the FHLB system. Among other benefits, each FHLB serves as a reserve or central bank for its members within its assigned region. Each FHLB is financed primarily from the sale of consolidated obligations of the FHLB system. Each FHLB makes available to members loans (i.e., advances) in accordance with the policies and procedures established by the Board of Directors of the individual FHLB.

As a member, the Bank is required to own capital stock in an FHLB in an amount equal to the greater of: (i) 1% of its aggregate outstanding principal amount of its residential mortgage loans, home purchase contracts and similar obligations at the beginning of each calendar year, (ii) 0.3% of total assets, or (iii) 5% of its FHLB advances (borrowings). At December 31, 1998, the Bank had $2.1 million in FHLB stock, which was in compliance with this requirement.

Liquidity Requirements. Under OTS regulations, a savings association is required to maintain an average daily balance of liquid assets (including cash, certain time deposits and savings accounts, bankers' acceptances, certain government obligations, and certain other investments) in each calendar quarter of not less than 4% of either (1) its liquidity base (consisting of certain net withdrawable accounts plus short-term borrowings) as of the end of the preceding calendar quarter, or (2) the average daily balance of its liquidity base during the preceding quarter. This liquidity requirement may be changed from time to time by the OTS to any amount between 4.0% to 10.0%, depending upon certain factors, including economic conditions and savings flows of all savings associations. The Bank maintains liquid assets in compliance with these regulations. Monetary penalties may be imposed upon an institution for violations of liquidity requirements.

Federal Reserve System. The Federal Reserve Board requires all depository institutions to maintain non-interest bearing reserves at specified levels against their transaction accounts (primarily checking, NOW, and Super NOW checking accounts) and non-personal time deposits. The balances maintained to meet the reserve requirements imposed by the Federal Reserve Board may be used to satisfy the liquidity requirements that are imposed by the OTS. At December 31, 1998, the Bank was in compliance with these requirements.

TAXATION

FEDERAL

General. The Company and the Bank report their income on a consolidated basis using the accrual method of accounting, and are subject to federal income taxation in the same manner as other corporations with some exceptions, including particularly the Bank's reserve for bad debts discussed below. The following discussion of tax matters is intended only as a summary and does not purport to be a comprehensive description of the tax rules applicable to the Bank or the Company. The Company has not been audited by the Internal Revenue Service. For its 1998 taxable year, the Company is subject to a maximum federal income tax rate of 34.0%.

Bad Debt Reserves. For fiscal years beginning prior to December 31, 1995, thrift institutions which qualified under certain definitional tests and other conditions of the Code were permitted to use certain favorable provisions to calculate their deductions from taxable income for annual additions to their bad debt reserve. A reserve could be established for bad debts on qualifying real property loans (generally secured by interests in real property improved or to be improved) under (i) the Percentage of Taxable Income Method or (ii) the Experience Method. The reserve for non-qualifying loans was computed using the Experience Method.

The Small Business Job Protection Act of 1996 (the "1996 Act"), which was enacted on August 20, 1996, requires savings institutions to recapture certain portions of their accumulated bad debt reserves. The 1996 Act repeals the reserve method of accounting for bad debts effective for tax years beginning after 1995. Thrift institutions that would be treated as small banks are allowed to utilize the Experience Method applicable to such institutions, while thrift institutions that are treated as large banks (those generally exceeding $500 million in assets) are required to use only the specific charge-off method.

To the extent the allowable bad debt reserve balance using the thrift's historical computation method exceeds the allowable bad debt reserve method under the newly enacted provisions, such excess is required to be recaptured into income under the provisions of Code Section 481(a). Any Section 481(a) adjustment required to be taken into income with respect to such change generally will be taken into income ratably over a six-taxable year period. Under the 1996 Act, the Bank is permitted to use the Experience Method to compute its allowable addition to its reserve for bad debts for the current year. The Bank's bad debt reserve as of December 31, 1995 was computed using the permitted Experience Method computation and was therefore not subject to the recapture of any portion of its bad debt reserve as discussed above.

STATE

The California franchise tax applicable to the Bank is computed under a formula which results in a rate higher than the rate applicable to non-financial corporations because it reflects an amount "in lieu" of local personal property and business license taxes paid by such corporation (but not generally paid by banks or financial corporations such as the Bank). The variable tax rate was 10.84% in 1998 and 1997. The Company and its wholly owned subsidiaries file a California franchise tax return on a combined reporting basis. The Company has not been audited by the Franchise Tax Board.

SUBSIDIARIES

Pan American Financial, Inc., a wholly-owned subsidiary of the Company, acts as the parent company of Pan American Bank, FSB and is the obligor on loans obtained from the RTC in connection with the Minority Interim Capital Assistance Program provided under the Federal Home Loan Bank Act.

United PanAm Mortgage Corporation, a wholly-owned subsidiary of the Company, acts as agent for the Bank in secondary marketing activities.

United Auto Credit Corporation, a wholly-owned subsidiary of the Bank, holds for investment and services subprime retail automobile installment sales contracts.

Pan American Service Corporation, a wholly-owned subsidiary of the Bank, acts as trustee under certain deeds of trust originated through the Bank's mortgage lending activities.

FACTORS THAT MAY AFFECT FUTURE RESULTS OF OPERATIONS

This Annual Report on Form 10-K contains forward-looking statements, including statements regarding the Company's strategies, plans, objectives, expectations and intentions, which are subject to a variety of risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set from in the "Factors That May Affect Results of Operations" and elsewhere in this Annual Report. The cautionary statements made in this Annual Report should be read as being applicable to all related forward-looking statements wherever they appear in this Annual Report .

The following discusses certain factors which may affect the Company's financial results and operations and should be considered in evaluating the Company.

LIMITED OPERATING HISTORY

The Company purchased certain assets and assumed certain liabilities of Pan American Federal Savings Bank from the RTC in 1994. In 1995, the Company commenced its insurance premium finance business through a joint venture with BPN, and in 1996 the Company commenced its subprime mortgage and automobile finance businesses. Accordingly, the Company has only a limited operating history upon which an evaluation of the Company and its prospects can be based. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

CREDIT-IMPAIRED BORROWERS

Loans made to borrowers who cannot obtain financing from traditional lenders generally entail a higher risk of delinquency and default and higher losses than loans made to borrowers with better credit. Substantially all of the Company's mortgage and auto loans are made to individuals with impaired or limited credit histories, limited documentation of income or higher debt-to-income ratios than are permitted by traditional lenders. If

the Company experiences higher losses than anticipated, the Company's financial condition, results of operations and business prospects would be materially and adversely affected.

NEED FOR ADDITIONAL FINANCING

The Company's ability to maintain or expand its current level of lending activity will depend on the availability and terms of its sources of financing. The Company has funded its operations to date principally through deposits, FHLB advances, mortgage warehouse lines of credit, loan securitizations, and whole loan sales at the Bank. The Bank competes for deposits primarily on the basis of interest rates and, accordingly, the Bank could experience difficulty in attracting deposits if it does not continue to offer rates that are competitive with other financial institutions. Federal regulations restrict the Bank's ability to lend to affiliated companies and limit the amount of non-mortgage consumer loans that may be held by the Bank. Accordingly, the growth of the Company's mortgage, insurance premium and automobile finance businesses will depend to a significant extent on the availability of additional sources of financing. There can be no assurance that the Company will be able to develop additional financing sources on acceptable terms or at all. To the extent the Bank is unable to maintain its deposits and the Company is unable to develop additional sources of financing, the Company will have to restrict its lending activities which would materially and adversely affect the Company's financial condition, results of operations and business prospects. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources."

CONCENTRATION OF BUSINESS IN CALIFORNIA

The Company's lending activities are concentrated primarily in California and are likely to remain so for the foreseeable future. The performance of the

Company's loans may be affected by changes in California's economic and business conditions, including its residential real estate market. The occurrence of adverse economic conditions or natural disasters in California could have a material adverse effect on the Company's financial condition, results of operations and business prospects.

RELIANCE ON SYSTEMS AND CONTROLS

The Company depends heavily upon its systems and controls, some of which have been designed specifically for a particular business, to support the evaluation, acquisition, monitoring, collection and administration of that business. There can be no assurance that these systems and controls, including those specially designed and built for the Company, are adequate or will continue to be adequate to support the Company's growth. A failure of the Company's automated systems, including a failure of data integrity or accuracy, could have a material adverse effect upon the Company's financial condition, results of operations and business prospects.

RELIANCE ON KEY EMPLOYEES AND OTHERS

The Company is dependent upon the continued services of its key employees as well as the key employees of BPN. The loss of the services of any key employee, or the failure of the Company to attract and retain other qualified personnel, could have a material adverse effect on the Company's financial condition, results of operations and business prospects.

COMPETITION

Each of the Company's businesses is highly competitive. Competition in the Company's markets can take many forms, including convenience in obtaining a loan, customer service, marketing and distribution channels, amount and terms of the loan, loan origination fees and interest rates. Many of the Company's competitors are substantially larger and have considerably greater financial, technical and marketing resources than the Company. The Company's competitors in subprime mortgage finance include other consumer finance

companies, mortgage banking companies, commercial banks, credit unions, savings associations and insurance companies. The Company competes in the insurance premium finance business with other specialty finance companies, independent insurance agents who offer premium finance services, captive premium finance affiliates of insurance companies and direct bill plans established by insurance companies. The Company competes in the subprime automobile finance industry with commercial banks, the captive finance affiliates of automobile manufacturers, savings associations and companies specializing in subprime automobile finance, many of which have established relationships with automobile dealerships and may offer dealerships or their customers other forms of financing, including dealer floor plan financing and lending, which are not offered by the Company. In attracting deposits, the Bank competes primarily with other savings institutions, commercial banks, brokerage firms, mutual funds, credit unions and other types of investment companies.

Fluctuations in interest rates and general and localized economic conditions also may affect the competition the Company faces. Competitors with lower costs of capital have a competitive advantage over the Company. During periods of declining interest rates, competitors may solicit the Company's customers to refinance their loans. In addition, during periods of economic slowdown or recession, the Company's borrowers may face financial difficulties and be more receptive to offers of the Company's competitors to refinance their loans.

As the Company expands into new geographic markets, it will face additional competition from lenders already established in these markets. There can be no assurance that the Company will be able to compete successfully with these lenders.

CHANGES IN INTEREST RATES

The Company's results of operations depend to a large extent upon its net interest income, which is the difference between interest income on interest-earning assets, such as loans and investments, and interest expense on interest-bearing liabilities, such as deposits and other borrowings. When interest-bearing liabilities mature or reprice more quickly than interest-bearing assets in a given period, a significant increase in market rates of interest could have a material adverse effect on the Company's net interest income. Further, a significant increase in market rates of interest could adversely affect demand for the Company's financial products and services. Interest rates are highly sensitive to many factors, including governmental monetary policies and domestic and international economic and political conditions, which are beyond the Company's control. The Company's liabilities generally have shorter terms and are more interest rate sensitive than its assets. Accordingly, changes in interest rates could have a material adverse effect on the profitability of the Company's lending activities. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations "Management of Internal Rate Risk."

MANAGEMENT OF GROWTH

The Company has experienced rapid growth in each of its businesses and intends to pursue growth for the foreseeable future, particularly in its mortgage and automobile finance businesses. In addition, the Company intends to broaden its product offerings to include additional types of consumer or, in the case of IPF, commercial loans. Further, the Company may enter other specialty finance businesses. This growth strategy will require additional capital, systems development and human resources. The failure of the Company to implement its planned growth strategy would have a material adverse effect on the Company's financial condition, results of operations and business prospects.

DEPENDENCE ON LOAN SALE AND SECURITIZATION MARKETS

The Company generates substantial revenues from whole loan sales or securitizations. There can be no assurance that whole loan purchasers will continue to purchase the Company's loans, or that they will continue to purchase loans at present prices, and failure to do so could have a material adverse effect on the Company's

financial condition, results of operations and business prospects. Further, adverse conditions in the asset-backed securitization market could adversely affect the Company's ability to sell or securitize loans at present prices.

SECURITIZATIONS

The Company completed its first securitization of mortgage loans in December 1997 and expects to sell or securitize mortgage loans on a periodic basis in the future. The Company will, in the future, consider the securitization of other financial assets. In March 1998, the Company sold its residual interests in this securitization for cash in the amount of $8.3 million which exceeded the carrying value of approximately $8.2 million at the date of sale. The Company completed its second securitization of mortgage loans in March 1999. The Company believes that the gain on sale from such securitizations could represent a significant portion of the Company's future revenues and net income. The Company's ability to complete securitizations will depend on a number of factors, including conditions in the securities markets generally, conditions in the asset-backed securities market specifically, the performance of the Company's portfolio of securitized loans and the Company's ability to obtain credit enhancement for its securitized loans. If securitizations represented a significant portion of the Company's revenues and net income and the Company were unable to securitize profitably a sufficient number of loans in a particular quarter, then the Company's revenues for the quarter could decline, which could result in lower earnings or a loss reported for the quarter. In addition, delays in closing a securitization could require the Company to seek additional alternative funding under current and future credit facilities in order to finance additional loan originations and purchases and could increase the Company's interest rate risk by increasing the period during which newly originated loans are held prior to sale and could increase the Company's interest expense.

The Company may rely on credit enhancements to guarantee or otherwise support senior certificates issued in securitizations. If the Company is unable to obtain credit enhancement in connection with the senior certificates, the Company might be unable to securitize its loans, which could have a material adverse effect on the Company's results of operations, financial condition and business prospects. Although alternative structures to securitizations may be available, there can be no assurance that the Company will be able to use these structures or that these structures will be economically viable for the Company. The Company's ability to obtain credit enhancement for its securitizations also may be adversely affected by poor performance of the Company's securitizations or the securitizations of others. The inability of the Company to complete securitizations for any reason could have a material adverse effect on the Company's results of operations, financial condition and business prospects.

CHANGE IN GENERAL ECONOMIC CONDITIONS

Each of the Company's businesses is affected directly by changes in general economic conditions, including changes in employment rates, prevailing interest rates and real wages. During periods of economic slowdown or recession, the Company may experience a decrease in demand for its financial products and services, an increase in its servicing costs, a decline in collateral values and an increase in delinquencies and defaults. A decline in collateral values and an increase in delinquencies and defaults increase the possibility and severity of losses. Although the Company believes that its underwriting criteria and collection methods enable it to manage the higher risks inherent in loans made to such borrowers, no assurance can be given that such criteria or methods will afford adequate protection against such risks. Any sustained period of increased delinquencies, defaults or losses would materially and adversely affect the

Company's financial condition, results of operations and business prospects.

IMPACT OF INFLATION AND CHANGING PRICES

The financial statements and notes thereto presented herein have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), which require the measurement of financial position and

operating results in terms of historical dollar amounts without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of the Company's operations. Unlike industrial companies, nearly all of the assets and liabilities of the Company are monetary in nature. As a result, interest rates have a greater impact on the Company's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services.

YEAR 2000 COMPLIANCE

Most of the Company's operations are dependent on the efficient functioning of the Company's computer systems and software. Computer system failures or disruption could have a material adverse effect on the Company's business, financial condition and results of operations.

Many computer programs were designed and developed utilizing only two digits in date fields, thereby creating the inability to recognize the year 2000 or years thereafter. Beginning in the year 2000, these date codes will need to accept four digit entries to distinguish 21st century dates from 20th century dates. This year 2000 issue creates risks for the Company from unforeseen or unanticipated problems in its internal computer systems as well as from computer systems of the Federal Reserve Bank, correspondent banks, customers and suppliers. Failures of these systems or untimely corrections could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's computer systems and programs are designed and supported by companies specifically in the business of providing such products and services. The Company's year 2000 plan includes evaluating existing hardware, software, vaults, alarm systems, communication systems and other electrical devices, testing critical application programs and systems, both internally and externally, establishing a contingency plan and upgrading hardware and software as necessary. The initial phase of the project was to assess and identify all internal business processes requiring modification and to develop comprehensive renovation plans as needed. This phase was largely completed in 1998. The second phase was to execute those renovation plans and begin testing systems by simulating year 2000 data conditions. This phase was also largely completed in 1998. Testing and implementation is planned to be completed during the first half of 1999. Failure to be year 2000 compliant or incurrence of significant costs to render the Company year 2000 compliant could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is evaluating its major customers and suppliers to determine if they are year 2000 compliant. Failure of any material customer or supplier to be year 2000 compliant could have a material adverse effect on the Company.

OTHER RISKS

From time to time, the Company details other risks with respect to its business and financial results in its filings with the Securities and Exchange Commission.

ITEM 2. PROPERTIES

The Company's principal executive offices occupy approximately 9,000 square feet of office space located at 1300 South El Camino Real, San Mateo, California 94402. As of December 31, 1998, the Company maintained five branches for its banking business, 22 branches for its mortgage finance business, 15 branches for its automobile finance business and one branch for its insurance premium finance business. The size of the branches typically range from 250 square feet to 19,081 square feet. All of the Company's leased properties are leased for terms expiring on dates ranging from the date hereof to March 2006, many with

options to extend the lease term. The net investment in premises, equipment and leaseholds totaled $4.8 million at December 31, 1998 compared to $3.1 million at December 31, 1997.

ITEM 3. LEGAL PROCEEDINGS

The Company is from time to time involved in litigation incidental to the conduct of its businesses. The Company currently is not a party to any material pending litigation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of the year ended December 31, 1998.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Common Stock has been traded on the Nasdaq National Market under the symbol "UPFC" since the Company completed its initial public offering on April 23, 1998. As of March 17, 1999, the Company had approximately 320 shareholders of record and 16,843,750 outstanding shares of common stock. The following table sets forth the high and low sales prices per share of Common Stock as reported on the Nasdaq National Market for the periods indicated.

QUARTER ENDED	High	Low
June 30, 1998	$ 13.94	$ 9.75
September 30, 1998	$ 11.69	$ 5.50
December 31, 1998	$ 5.63	$ 3.38

The Company has never paid a cash dividend on the Common Stock. The Company does not anticipate paying cash dividends on the Common Stock in the foreseeable future. The payment of dividends is within the discretion of the Company's Board of Directors and will depend upon, among other things, the Company's earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions on the payment of dividends and general business conditions. Federal regulations restrict the Bank's ability to declare or pay any dividends to the Company. See "Item 1. Business Supervision and Regulation Business Savings Bank Regulation Capital Distribution Limitations." In addition, certain interim capital assistance loan agreements among the Bank, PAFI and the RTC prohibit the Bank from declaring or paying any dividends, except under limited circumstances, until all of the obligations of the Bank and PAFI to the RTC have been discharged. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations RTC Notes Payable."

On April 23, 1998, the Company's Registration Statement on Form S-1 (File No. 333-39941) for the initial public offering of 5,500,000 shares of its Common Stock was declared effective by the SEC.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data with respect to the Company's consolidated financial position as of December 31, 1998 and 1997 and its results of operations for the years ended December 31, 1998, 1997 and 1996 has been derived from the Company's audited consolidated financial statements appearing elsewhere in this Annual Report. This information should be read in conjunction with such consolidated financial statements and notes thereto. The selected financial data with respect to the Company's consolidated financial position as of December 31, 1996, 1995 and 1994 and its results of operations for the year ended December 31, 1995 and for the annualized period from April 29, 1994 (inception) to December 31, 1994 has been derived from the Company's audited financial statements, which are not presented in this Annual Report.

(Dollars in thousands, except per share amounts)

	At or For the Year Ended December 31,			
	1998	1997	1996	1995
STATEMENT OF OPERATIONS DATA				
Interest income	$ 45,345	$ 26,511	$ 16,561	$ 13,533
Interest expense	19,246	12,411	7,853	7,727
Net interest income	26,099	14,100	8,708	5,806
Provision for loan losses	5,853	507	194	120

Net interest income after provision for loan losses	20,246	13,593	8,514	5,686
Non-interest income				
Gain on sale of loans	50,130	26,526	2,333	90
Other non-interest income	936	702	443	228
Total non-interest income	51,066	27,228	2,776	318
Non-interest expense				
Compensation and benefits	36,833	19,043	5,248	2,750
SAIF special assessment	--	--	820	--
Other expense	22,725	11,039	3,581	2,412
Total non-interest expense	59,558	30,082	9,649	5,162
Income before income taxes	11,754	10,739	1,641	842
Income taxes	4,991	4,491	691	384
Net income	$ 6,763	$ 6,248	$ 950	$ 458
Net income per share basic (1)	$0.44	$0.58	$0.09	$0.04
Net income per share diluted (1)	$0.42	$0.53	$0.09	$0.04
Weighted average shares outstanding basic (1)	15,263	10,739	10,669	10,669
Weighted average shares outstanding diluted (1)	16,143	11,875	10,669	10,669
BALANCE SHEET DATA				
Total assets	$425,559	$310,754	$188,743	$159,581
Loans	133,718	148,535	134,821	131,794
Loans held for sale	214,406	120,002	20,766	--
Allowance for loan losses	(10,183)	(6,487)	(5,356)	(5,250)
Deposits	321,668	233,194	159,061	141,924
Notes payable	10,930	12,930	10,930	10,930
FHLB advances	--	28,000	4,000	--
Warehouse lines of credit	--	6,237	--	--
Shareholders' equity	82,913	13,009	6,761	5,811

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	April 29, 1994 (Inception) Through December 31, 1994
<S>	<C>
STATEMENT OF OPERATIONS DATA	
Interest income	$ 6,882
Interest expense	3,573
Net interest income	3,309
Provision for loan losses	50
Net interest income after provision for loan losses	3,259
Non-interest income	
Gain on sale of loans	3
Other non-interest income	95
Total non-interest income	98
Non-interest expense	
Compensation and benefits	1,564
SAIF special assessment	--
Other expense	1,579
Total non-interest expense	3,143
Income before income taxes	214
Income taxes	98
Net income	$ 116
Net income per share basic (1)	$ 0.01

Net income per share diluted (1)	$ 0.01
Weighted average shares outstanding basic (1)	10,669
Weighted average shares outstanding diluted (1)	10,669
BALANCE SHEET DATA	
Total assets	$ 180,024
Loans	53,176
Loans held for sale	--
Allowance for loan losses	(378)
Deposits	163,114
Notes payable	10,930
FHLB advances	--
Warehouse lines of credit	--
Shareholders' equity	5,270

</TABLE>

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(Dollars in thousands, except per share amounts)	At or For the Year Ended December 31, 1998	1997	1996	1995	April 29, 1994 (Inception) Through December 31, 1994
<S>	<C>	<C>	<C>	<C>	<C>
OPERATING DATA					
Return on average assets(2)	1.56%	2.48%	0.56%	0.27%	0.11%
Return on average shareholders' equity(2)	12.00%	71.84%	16.10%	8.51%	3.44%
Net interest margin	6.57%	6.07%	5.44%	3.61%	3.24%
Shareholders' equity to assets	19.48%	4.19%	3.58%	3.64%	2.93%
Tangible capital ratio of Bank	6.94%	7.27%	8.85%	9.89%	8.50%
Core capital ratio of Bank	6.94%	7.27%	8.85%	9.89%	8.50%
Risk-based capital ratio of Bank	10.77%	12.34%	16.36%	17.19%	27.53%
ASSET QUALITY DATA					
Nonaccrual loans, net(3)	$ 18,632	$ 6,633	$ 5,835	$ 5,240	$1,439
Real estate owned	1,877	562	988	298	--
Total non-performing assets	20,509	7,195	6,823	5,538	1,439
Non-performing assets to total assets	4.82%	2.31%	3.61%	3.47%	0.80%
Allowance for credit losses to loans held for investment	7.62%	4.37%	3.97%	3.98%	0.71%
SUBPRIME MORTGAGE FINANCE DATA					
Loan origination activities(4)					
Wholesale originations	$ 807,382	$359,236	$58,456	--	--
Retail originations	382,359	219,386	13,055	--	--
Total loan originations	1,189,741	$578,622	$71,511	--	--
Percent of loans secured by first mortgages	96%	96%	95%	--	--
Weighted average initial loan-to-value ratio	75%	75%	72%	--	--
Originations by product type					
Adjustable-rate mortgages	71%	82%	85%	--	--
Fixed-rate mortgages	29%	18%	15%	--	--
Weighted average interest rate					
Adjustable-rate mortgages	9.62%	9.48%	9.55%	--	--
Fixed-rate mortgages	10.35%	10.67%	10.76%	--	--
Average balance per loan	$ 99	$ 104	$ 100	--	--
Loans sold through whole loan transactions(5)	1,084,701	$360,210	$50,142	--	--
Loan securitizations	--	$114,904	--	--	--
Number of retail branches and wholesale loan centers	22	22	5	--	--
INSURANCE PREMIUM FINANCE DATA					
Loans originated	$ 152,998	$145,167	$99,012	$21,676	--
Loans outstanding at period end	$ 44,709	$ 39,990	$32,058	$16,975	--
Number of loans originated	137,743	125,315	83,839	21,137	--
Average net yield on loans originated	13.90%	14.01%	13.62%	15.77%	--
Average loan size at origination	$ 1.11	$ 1.16	$ 1.18	$ 1.03	--
Net charge-offs to average loans	0.78%	0.35%	0.39%	--	--
AUTOMOBILE FINANCE DATA					
Gross contracts purchased	$ 86,098	$ 44,056	$12,216	--	--
Number of contracts purchased	7,695	4,187	1,177	--	--
Average discount on contracts purchased	9.12%	9.79%	10.00%	--	--
Net charge-offs to average contracts	4.56%	4.94%	1.50%	--	--
Number of branches	15	10	4	--	--

</TABLE>

(1) Net income per share - basic is based on the weighted average shares of Common Stock outstanding during the period adjusted for the 1,875-for-1 stock split effective in November 1997. Net income per share - diluted is based on the weighted average shares of Common Stock and Common Stock equivalents outstanding during the period adjusted for a 1,875-for-1 stock split effective in November 1997.
(2) Information for the period from April 29, 1994 (inception) to December 31, 1994 is annualized for comparability with full year information.

(3) Nonaccrual loans are net of specific loss allowances.
(4) Does not include conforming loans purchased from the RTC in the aggregate principal amount of $75.9 million and $57.2 million in the year ended December 31, 1995 and from April 29, 1994 (Inception) through December 31, 1994, respectively, and conforming loan originations of $4.5 million in the year ended December 31, 1995.
(5) Does not include $3.5 million in conforming loan sales in the year ended December 31, 1995.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Certain statements in this Annual Report on Form 10-K including statements regarding the Company's strategies, plans, objectives, expectations and intentions, may include forward-looking information within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such forward-looking statements. For discussion of the factors that might cause such a difference, see "Item 1. Business - Factors That May Affect Future Results of Operations" and other risks identified from time to time in the Company's filings with the SEC.

GENERAL

THE COMPANY

The Company is a diversified specialty finance company engaged primarily in originating and acquiring for investment or sale residential mortgage loans, personal automobile insurance premium finance contracts and retail automobile installment sales contracts. The Company markets to customers who generally cannot obtain financing from traditional lenders. These customers usually pay higher loan origination fees and interest rates than those charged by traditional lenders to gain access to consumer financing. The Company believes that management's experience in originating, assessing, pricing and managing credit risk enables the Company to earn attractive risk-adjusted returns. The Company has funded its operations to date principally through retail deposits, FHLB advances, a mortgage warehouse line of credit, loan securitizations, and whole loan sales at the Bank.

The Company commenced operations in 1994 by purchasing from the RTC certain assets and assuming certain liabilities of the Bank's predecessor, Pan American Federal Savings Bank. The Company has used the Bank as a base for expansion into its current specialty finance businesses. In 1995, the Company commenced its insurance premium finance business through a joint venture with BPN. In 1996, the Company commenced its current mortgage and automobile finance businesses.

Finance companies, such as the Company, generate income from a combination of (i) "spread" or "net interest" income (i.e., the difference between the yield on loans, net of loan losses, and the cost of funding) and (ii) "non-interest" income (i.e., the fees received for various services and gain on the sale of loans). Income is used to cover operating expenses incurred (i.e., compensation and benefits, occupancy and other expenses) in generating that income. Each of the Company's businesses, as described below, generates income from a combination of spread and non-interest income.

MORTGAGE FINANCE

The Company originates and sells or securitizes subprime mortgage loans collateralized primarily by first mortgages on single family residences. The Company's mortgage finance customers are considered "subprime" because of factors such as impaired credit history or high debt-to-income ratios compared to customers of traditional mortgage lenders. The Company has funded its mortgage finance business to date primarily through the Bank's deposits, FHLB advances, mortgage warehouse lines of credit, the sale of its mortgage loan originations to mortgage companies and investors through whole loan packages offered for bid several times per month and, to a lesser extent, from loan securitizations. The Company completed its first securitization of mortgage loans in December 1997 and in March 1998 sold the residual interests in this securitization for cash at a price in excess of its carrying value. In March 1999, the Company completed its second securitization of mortgage loans.

To date, the Company's mortgage lending income is generated from cash gains on sales of loans, and a spread component resulting from loans held prior to sale. Income generated from this mortgage finance business covers operating costs, including compensation, occupancy, loan origination, and administrative expenses.

INSURANCE PREMIUM FINANCE

In May 1995, the Bank entered into a joint venture with BPN under the name "ClassicPlan" (such business, "IPF"). Under this joint venture, which commenced operations in September 1995, the Bank underwrites and finances primarily automobile insurance premiums in California and BPN markets the financing program and services the loans for the Bank. The Bank lends to individuals for the purchase of single premium automobile insurance policies and the Bank's collateral is the unearned insurance premium held by the insurance company. The unearned portion of the insurance premium is refundable to IPF in the event the underlying insurance policy is canceled. The Company does not sell or have the risk of underwriting the underlying insurance policy.

As a result of BPN performing substantially all marketing and servicing activities, the Company's role is primarily that of an underwriter and funder of loans. Therefore, IPF's income is generated primarily on a spread basis, supplemented by non-interest income generated from late payment and returned check fees. The Bank uses this income to cover the costs of underwriting and loan administration, including compensation, occupancy and data processing expenses.

In January 1998, the Company and BPN purchased from Providian National Bank and others the right to solicit new and renewal personal and commercial insurance premium finance business from brokers who previously have provided contracts to Commonwealth Premium Finance. The purchase price for the agreement was provided 60% by the Company and 40% by BPN. The relationship between the Company and BPN continues to be governed by the joint venture agreement already in effect. The Company also acquired the Commonwealth name and certain equipment and software. The agreement also provides that Providian National Bank and the servicers of its insurance premium finance business may not solicit or engage in the insurance premium finance business in California for a period of three years.

As a result of the Commonwealth acquisition, IPF increased its commercial insurance premium financing to approximately 13% of loans outstanding at December 31, 1998, and it is expected that this business may increase to approximately 15% of loans outstanding.

During November 1998, the Company and BPN, purchased from Norwest Financial Coast, Inc. ("Coast") for $3.0 million the right to solicit new and renewal personal and commercial insurance premium finance business from brokers who previously provided contracts to Coast. The purchase price for the agreement was provided 60% by the Company and 40% by BPN. The Company also acquired the "Coast" name, and certain furniture, equipment and software.

AUTOMOBILE FINANCE

In 1996, the Bank commenced its automobile finance business through its subsidiary, United Auto Credit Corporation (such business, "UACC"). UACC acquires, holds for investment and services subprime retail automobile installment sales contracts ("auto contracts") generated by franchised and independent dealers of used automobiles. UACC's customers are considered "subprime" because they typically have limited credit histories or credit histories that preclude them from obtaining loans through traditional sources. As UACC provides all marketing, origination, underwriting and servicing activities for its loans, income is generated from a combination of spread and non-interest income and is used to cover all operating costs, including compensation, occupancy and systems expense.

THE BANK

The Company has funded its operations to date primarily through the Bank's deposits, FHLB advances, a mortgage warehouse line of credit and loan sales and securitizations. As of December 31, 1998, the Bank was a five-branch federal savings bank with $321.7 million in deposits. The loans generated by the Company's mortgage, insurance premium and automobile finance businesses currently are funded and held by the Bank. In addition, the Bank holds a portfolio of primarily traditional residential mortgage loans acquired from the

RTC in 1994 and 1995 at a discount from the unpaid principal balance of such loans, which loans aggregated $32.3 million in principal amount (before unearned discounts and premiums) at December 31, 1998.

The Bank generates spread income not only from loans originated or purchased by each of the Company's principal businesses, but also from (i) loans purchased from the RTC, (ii) its short term investments portfolio, and (iii) consumer loans originated by its retail deposit branches. This income is supplemented by non-interest income from its branch banking activities (e.g., deposit service charges, safe deposit box fees), and is used to cover operating costs and other expenses.

AVERAGE BALANCE SHEETS

The following tables set forth information relating to the Company for the years ended December 31, 1998, 1997 and 1996. The yields and costs are derived by dividing income or expense by the average balance of assets or liabilities, respectively, for the periods shown. The yields and costs include fees which are considered adjustments to yields.

<TABLE>
<CAPTION>

	Year Ended December 31,					
	1998			1997		
	Average Balance (1)	Interest	Average Yield/ Cost	Average Balance (1)	Interest	Average Yield/ Cost
<S>	<C>	<C>	<C>	<C>	<C>	<C>
				(Dollars in thousands)		
ASSETS						
Interest earnings assets						
Investment securities	$ 25,672	$ 1,346	5.24%	$ 9,763	$ 639	6.55%
Mortgage loans, net(2)	277,453	26,255	9.46%	161,667	15,240	9.43%
IPF loans, net(3)	49,138	6,579	13.39%	43,923	6,179	14.07%
Automobile installment contracts, net(4)	44,809	11,165	24.92%	16,980	4,453	26.22%
Total interest earning assets	397,072	45,345	11.42%	232,333	26,511	11.41%
Non-interest earnings assets(4)	35,969			19,778		
Total assets	$433,041			$252,111		
LIABILITIES AND EQUITY						
Interest bearing liabilities						
Customer deposits	297,628	15,329	5.15%	198,405	10,095	5.09%
Notes payable	11,545	623	5.40%	11,541	669	5.80%
FHLB advances	13,057	666	5.10%	18,526	1,103	5.95%
Warehouse lines of credit	43,759	2,628	6.01%	8,914	544	6.10%
Total interest bearing liabilities	365,989	19,246	5.26%	237,386	12,411	5.23%
Non-interest bearing liabilities	10,711			6,028		
Total liabilities	376,700			243,414		
Equity	56,341			8,697		
Total liabilities and equity	$433,041			$252,111		
Net interest income before provision for loan losses		$26,099			$14,100	
Net interest rate spread(5)			6.16%			6.18%
Net interest margin(6)			6.57%			6.07%
Ratio of interest earning assets to interest bearing liabilities			108.5%			97.9%

<CAPTION>

	Year Ended December 31,		
	1996		
	Average Balance (1)	Interest	Average Yield/ Cost
<S>	<C>	<C>	<C>
ASSETS			

Interest earnings assets			
Investment securities	$ 11,050	$ 706	6.39%
Mortgage loans, net(2)	117,877	11,150	9.46%
IPF loans, net(3)	28,795	4,026	13.98%
Automobile installment contracts, net(4)	2,488	679	27.29%
Total interest earning assets	160,210	16,561	10.34%
Non-interest earnings assets(4)	8,124		
Total assets	$168,334		
LIABILITIES AND EQUITY			
Interest bearing liabilities			
Customer deposits	146,160	7,225	4.94%
Notes payable	10,930	556	5.09%
FHLB advances	1,170	72	6.15%
Warehouse lines of credit	--	--	--
Total interest bearing liabilities	158,260	7,853	4.96%
Non-interest bearing liabilities	4,173		
Total liabilities	162,433		
Equity	5,901		
Total liabilities and equity	$168,334		
Net interest income before provision for loan losses		$ 8,708	
Net interest rate spread(5)			5.38%
Net interest margin(6)			5.44%
Ratio of interest earning assets to interest bearing liabilities			101.2%

</TABLE>

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(1) Average balances are measured on a month-end basis.
(2) Net of deferred loan origination fees, unamortized discounts, premiums and allowance for estimated loan losses; includes loans held for sale and non-performing loans.
(3) Net of allowance for estimated losses; includes non-performing loans.
(4) Net of unearned finance charges, allowance for estimated losses; includes non-performing loans.
(5) Net interest rate spread represents the difference between the yield on interest earning assets and the cost of interest bearing liabilities.
(6) Net interest margin represents net interest income divided by average interest earning assets.

RATE AND VOLUME ANALYSIS

The following table presents the extent to which changes in interest rates and changes in the volume of interest earning assets and interest bearing liabilities have affected the Company's interest income and interest expense during the periods indicated. Information is provided in each category with respect to: (i) changes attributable to changes in volume (changes in volume multiplied by prior rate); (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume); and (iii) the net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1998 INCREASE (DECREASE) DUE TO			YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1997 INCREASE (DECREASE) DUE TO		
	VOLUME	RATE	NET	VOLUME	RATE	NET
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest earning assets						
Investment securities	$ 806	$ (99)	$ 707	$4,128	$ (38)	$4,090
Mortgage loans, net (1)	10,956	59	11,015	2,128	25	2,153

IPF loans, net	674	(274)	400	3,799	(26)	3,773
Automobile installment contracts, net	6,923	(211)	6,712	(85)	19	(66)
Total interest earning assets	19,359	(525)	18,834	9,970	(20)	9,950
Interest bearing liabilities						
Customer deposits	5,109	125	5,234	2,653	217	2,870
Notes payable	--	(46)	(46)	32	81	113
FHLB advances	(294)	(143)	(437)	1,033	(2)	1,031
Warehouse line of credit	2,092	(8)	2,084	272	272	544
Total interest bearing liabilities	6,907	(72)	6,835	3,990	568	4,558
Change in net interest income	$12,452	$(453)	$11,999	$5,980	$(588)	$5,392

</TABLE>

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(1) Includes interest on loans held for sale.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997

GENERAL

Net income increased from $6.2 million for the twelve months ended December 31, 1997 to $6.8 million for the twelve months ended December 31, 1998. The increase was due primarily to the growth in the Company's mortgage, insurance premium and auto finance businesses during 1998. Contributing to the increase in net income were increases in the Company's net interest income and non-interest income offset by increases in provision for loan losses and non-interest expense. Net interest income was favorably impacted during 1998 by using the net proceeds from the Company's initial public offering of common stock to finance a portion of its mortgage operations.

Growth in the Company's finance businesses resulted in an increase in mortgage loan originations from $578.6 million for the twelve months ended December 31, 1997 to $1.2 billion for the twelve months ended December 31, 1998, while insurance premium finance originations increased from $145.2 million to $153.0 million, respectively, and auto contracts purchased increased from $44.1 million to $86.1 million, respectively. Sales of mortgage loans were $1.1 billion for the twelve months ended December 31, 1998 and $475.1 million for the comparable period in 1997.

INTEREST INCOME

Interest income increased from $26.5 million for the twelve months ended December 31, 1997 to $45.3 million for the twelve months ended December 31, 1998 due primarily to a $164.7 million increase in average earning assets and a 0.01% increase in the average yield on earning assets. The largest components of growth in average earning assets were mortgage loans, auto contracts and investment securities, which increased $115.8 million, $27.8 million and $15.9 million, respectively. The increase in mortgage loans receivable was a result of an increase in loans held for sale, which increased from $120.0 million at December 31, 1997 to $214.4 million at December 31, 1998. This increase is a direct result of the increase in UPAM's mortgage loan originations during the year. The increase in auto contracts principally resulted from the opening of new branch offices and the purchasing of additional dealer contracts in these new market areas. The growth in investment securities resulted from an increase in the Company's liquidity and short-term investment portfolio reflecting the overall growth in total assets.

INTEREST EXPENSE

Interest expense increased from $12.4 million for the twelve months ended December 31, 1997 to $19.2 million for the twelve months ended December 31, 1998, due to a $128.6 million increase in average interest bearing liabilities and a 0.03% increase in the weighted average interest rate on interest bearing liabilities. The largest component of growth in interest bearing liabilities was deposits with the Bank, which increased from an average balance of $198.4 million for the twelve months ended December 31, 1997 to $297.6 million for the twelve months ended December 31, 1998. The average cost of deposits increased from 5.09% for the twelve months ended December 31, 1997 to 5.15% for the twelve months ended December 31, 1998.

The increase in deposits resulted from the use of retail and wholesale CDs to finance the Company's lending growth and the increase in the average yield on the Bank's deposits reflects the repricing of accounts to higher rates.

The second largest component of growth in interest bearing liabilities was the increase in the Company's warehouse lines of credit from an average balance of $8.9 million during the year ended December 31, 1997 to $43.8 million for the year ended December 31, 1998. This increase reflects the use of short-term third party warehouse lines of credit to provide interim financing for the Company's mortgage loans between the date of origination and date of sale into the secondary mortgage market.

PROVISION FOR LOAN LOSSES

Provision for loans losses increased from $507,000 for the twelve months ended December 31, 1997 to $5.9 million for the twelve months ended December 31, 1998. The increase in the provision reflects management's decision to increase general valuation allowances as a result of the increase in loans made by the Company as well as an increase in non-performing loans during 1998. The total allowance for loan losses was $10.2 million at December 31, 1998 or 7.62% of loans compared to $6.50 million at December 31, 1997 or 4.37% of loans. The increase is attributable to the additional provision for losses recorded during the twelve months ended December 31, 1998 and $4.6 million in acquisition discounts related to the Company's purchase of auto contracts. The Company allocates the estimated amount of discounts attributable to credit risk to the allowance for loan losses. Net loan charge-offs were $6.7 million or 1.73% of total average loans during the twelve months ended December 31, 1998 compared to $1.3 million, or 0.60% of total average loans during the comparable period in 1997.

A provision for loan losses is charged to operations based on the Company's regular evaluation of its loan portfolio and the adequacy of its allowance for loan losses. While management believes it has adequately provided for losses and does not expect any material loss on its loans in excess of allowances already recorded,

no assurance can be given that economic or real estate market conditions or other circumstances will not result in increased losses in the loan portfolio.

NON-INTEREST INCOME

Non-interest income increased $23.9 million, from $27.2 million for the twelve months ended December 31, 1997 to $51.1 million for the twelve months ended December 31, 1998. This increase resulted from gains on sales of mortgage loans and is due primarily to a substantial increase in the volume of loans sold by UPAM, offset by a decline in the gross sales premium received on such loans. During the twelve months ended December 31, 1997, the Company sold or securitized $475.1 million in mortgage loans compared to $1.1 billion in mortgage loans sold during the comparable period in 1998. The gross sales premium received on loans sold was 104.9% of the outstanding loan balance in 1998 compared to 105.7% in 1997 and, as a result of the decline in gross sales premiums, gains on sales of loans, as a percentage of loans sold, were 4.48% for the twelve months ended December 31, 1998 compared to 5.58% for the twelve months ended December 31, 1997. The decline in the gross sales premium during 1998 resulted primarily from price erosion occurring in the third and fourth quarters of 1998 caused by disruptions in the capital and ABS markets. In March 1998, the Company sold its residual interests from its first securitization for cash in the amount of $8.3 million, which exceeded the carrying value of approximately $8.2 million as of the date of sale. While the Company did not securitize any loans during 1998, it may securitize mortgage loans on a periodic basis in the future.

Other components of non-interest income include fees and charges for Bank services and miscellaneous other income. The total of all of these items increased $234,000 from $702,000 for the twelve months ended December 31, 1997 to $936,000 for the twelve months ended December 31, 1998.

NON-INTEREST EXPENSE

Non-interest expense increased $29.5 million, from $30.1 million for the twelve months ended December 31, 1997 to $59.6 million for the twelve months ended December 31, 1998. This increase primarily reflects an increase in salaries, loan commissions, employee benefits and other personnel costs of $17.8 million associated with the expansion of the Company's mortgage and automobile finance operations. In addition, occupancy expense increased $2.6 million, reflecting the costs associated with maintaining and expanding the branch offices in both the mortgage and auto finance lending areas. Marketing expense was $3.6 million for the twelve months ended December 31, 1998 compared to $1.7 million for the twelve months ended December 31, 1997, an increase of 108%. This increase is attributable to the Company's retail mortgage lending operations, which use extensive direct mail and telemarketing campaigns to target prospective borrowers. Retail loan originations were $382.4 million in 1998 compared to $219.4 million in 1997, an increase of 74%. Also, as a result of growth in the Company's mortgage finance and automobile lending operations, other operating expense, including stationery and supplies, data processing, insurance, telephone and postage, increased $6.4 million during the twelve months ended December 31, 1998 compared to the same period in 1997.

Included in non-interest expense for 1998 is a charge of $800,000 related to the closure of certain lending offices. As a result of a reduction in loan production experienced during the fourth quarter of 1998, the Company closed five underperforming retail loan offices and consolidated two wholesale loan processing centers into its remaining four centers. Accordingly, the Company accrued as additional expense in 1998, the estimated costs associated with the remaining lease obligations for these offices.

INCOME TAXES

Income taxes increased $500,000 from $4.5 million for the twelve months ended December 31, 1997 to $5.0 million for the twelve months ended December 31, 1998. This increase occurred as a result of a $1.0

million increase in income before income taxes between the two periods and an increase in the effective tax rate from 41.8% for 1997 to 42.5% for 1998.

COMPARISON OF FINANCIAL CONDITION AT DECEMBER 31, 1998 AND DECEMBER 31, 1997

Total assets increased $114.8 million, from $310.8 million at December 31, 1997 to $425.6 million at December 31, 1998. This increase occurred primarily as a result of a $79.6 million increase in loans receivable, from $268.5 million at December 31, 1997 to $348.1 million at December 31, 1998. The increase in loans was comprised of a $94.4 million increase in mortgage loans held for sale, a $36.3 million increase (net of unearned finance charges) in auto contracts and a $4.7 million increase in insurance premium finance loans offset by a $49.7 million decrease in loans purchased from the RTC.

Cash and cash equivalents increased $33.2 million, from $19.0 million at December 31, 1997 to $52.2 million at December 31, 1998, primarily as a result of an increase in the Company's short-term investments.

Residual interests in securitizations were $8.2 million at December 31, 1997 and were sold during March 1998 for cash in an amount exceeding carrying value. The Company did not complete any loan securitizations during 1998, accordingly, there were no residual interests in securitizations at December 31, 1998.

Premises and equipment increased from $3.1 million at December 31, 1997 to $4.8 million at December 31, 1998 as a result of purchases of furniture and equipment for the Company's lending branch offices and the overall growth in lending operations.

Deposit accounts at the Bank increased $88.5 million, from $233.2 million at December 31, 1997 to $321.7 million at December 31, 1998, due primarily to an increase in CDs of $75.0 million, from $197.1 million at December 31, 1997 to $272.1 million at December 31, 1998. Included in deposits at December 31, 1998 are brokered deposits of $10.3 million compared to $17.5 million at December 31, 1997. The growth in deposits reflects the continued financing of the Company's mortgage, insurance premium and auto finance activities with retail and wholesale deposits through the Bank's five-branch network.

Other interest bearing liabilities include the RTC notes payable, which remained unchanged at $10.9 million between period ends. At December 31, 1998 there were no FHLB advances or warehouse lines of credit outstanding. At December 31, 1997 there were $28.0 million in FHLB advances and $6.2 million in warehouse lines of credits.

Net deferred tax assets were $3.0 million at December 31, 1998 due principally to temporary differences in the recognition of gain on sale of loans for federal and state income tax reporting and financial statement reporting purposes. For income tax purposes, loans held for sale are marked-to-market as compared to financial statement reporting where loans are recorded at the lower of cost or market.

Shareholders' equity increased form $13.0 million at December 31, 1997 to $82.9 million at December 31, 1998, as a result of the Company's net income of $6.8 million for the year ended December 31,1998, the net proceeds received of $63.0 million from the Company's initial public offering completed in the second quarter of 1998 and $140,000 related to the exercise of stock options and the issuance of restricted stock.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31, 1997 AND DECEMBER 31, 1996

GENERAL

Net income increased from $950,000 for the twelve months ended December 31, 1996 to $6.2 million for the twelve months ended December 31, 1997. This increase was due primarily to the expansion of the

Company's mortgage, insurance premium and auto finance businesses, all of which showed improved operating results in 1997. Also contributing to the favorable operating results was in increase of $24.2 million in gain on sales of loans from the Company's mortgage finance operations offset by an increase in non-interest expense of $20.4 million which also resulted primarily from the expansion of mortgage finance and other lending operations.

As a result of the expansion of the Company's lending operations, mortgage loan originations increased from $71.5 million for the twelve months ended December 31, 1996 to $578.6 million for the twelve months ended December 31, 1997, while insurance premium financing originations increased from $99.0 million to $145.2 million, respectively, and auto contracts purchased increased from $12.2 million to $44.1 million, respectively. Sales of mortgage loans were $50.1 million for the twelve months ended December 31, 1996 and $475.1 million for the comparable period in 1997.

INTEREST INCOME

Interest income increased from $16.6 million for the twelve months ended December 31, 1996 to $26.5 million for the twelve months ended December 31, 1997 due primarily to a $72.1 million increase in average earning assets and a 1.07% increase in the average yield on earning assets. The largest components of growth in average earning assets were mortgage loans, insurance premium finance loans and auto contracts, which increased $43.8 million, $15.1 million and $14.5 million, respectively. The increase in the average yield on earning assets was attributable to an increase in the origination or purchase of higher yielding loans during 1997 principally related to the expansion and growth of the mortgage, insurance premium and automobile finance businesses. The increase in mortgage loan receivables was a result of an increase in loans held for sale, which increased from $20.8 million at December 31, 1996 to $120.0 million at December 31, 1997. Generally, these loans are originated for sale in the secondary mortgage market. The growth of IPF loans was primarily a result of new loan originations associated with changes the California's automobile insurance laws effective January 1, 1997, while the increase in auto contracts principally resulted from the opening of new branch offices and the purchasing of additional dealer contracts in these new markets.

INTEREST EXPENSE

Interest expense increased from $7.9 million for the twelve months ended December 31, 1996 to $12.4 million for the twelve months ended December 31, 1997, due to a $79.1 million increase in average interest bearing liabilities and a 0.27% increase in the weighted average interest rate on interest bearing liabilities. The largest component of growth in interest bearing liabilities was deposits with the Bank, which increased from an average balance of $146.2 million for the twelve months ended December 31, 1996 to $198.4 million for the twelve months ended December 31, 1997. The average cost of deposits increased from 4.94% for the twelve months ended December 31, 1996 to 5.09% for the twelve months ended December 31, 1997.

The increase in deposits resulted from the use of retail and wholesale CDs to finance the Company's lending operation, and the increase in the average yield on the Bank's deposits reflects the repricing of accounts to higher rates.

The second largest component of growth in interest bearing liabilities was FHLB advances to the Bank, which increased from an average balance of $1.2 million for the twelve months ended December 31, 1996 to $18.5 million for the comparable period in 1997. This increase reflects the use of short-term borrowings to support the growth of the Company's lending businesses.

PROVISION FOR LOAN LOSSES

Provision for loan losses increased from $194,000 for the twelve months ended December 31, 1996 to $507,000 for the twelve months ended December 31, 1997. The increase in the provision reflects

management's decision to increase general valuation allowances as a result of the increase in loans made by the Company. The total allowance for loan losses was $5.4 million at December 31, 1996 compared to $6.5 million at December 31, 1997. The increase is attributable to the additional provision for losses recorded during the twelve months ended December 31, 1997 and $2.0 million in acquisition discounts related to the Company's purchase of auto contracts. The Company allocates the estimated amount of discounts attributable to credit risk to the allowance for loan losses. Net loan charge-offs were $444,000 in the twelve months ended December 31, 1996 compared to $1.3 million in the twelve months ended December 31, 1997.

A provision for loan losses is charged to operations based on the Company's regular evaluation of its loan portfolio and the adequacy of its allowance for loan losses. While management believes it has adequately provided for losses and does not expect any material loss on its loans in excess of allowances already recorded, no assurance can be given that economic or real estate market conditions or other circumstances will not result in increased losses in the loan portfolio.

NON-INTEREST INCOME

Non-interest income increased $24.4 million, from $2.8 million for the twelve months ended December 31, 1996 to $27.2 million for the twelve months ended December 31, 1997. This increase resulted from gain on sale of mortgage loans and is due primarily to a substantial increase in the volume of loans sold by UPAM. During the twelve months ended December 31, 1996, the Company sold $50.1 million in mortgage loans compared to $475.1 million in mortgage loans sold or securitized during the comparable period in 1997. Net gains on sales of loans, as a percentage of loans sold, were 4.65% for the twelve months ended December 31, 1996, compared to 5.58% for the twelve months ended December 31, 1997. During the twelve months ended December 31, 1997, the Company sold $360.2 million as whole loan sales and completed its first securitization of $114.9 million in mortgage loans in December 1997. The Company may sell or securitize mortgage loans on a periodic basis in the future.

As part of its securitization, the Company recorded a net gain on sale of $5.9 million and recorded residual interests in securitizations of $8.2 million consisting of beneficial interests in the form of an interest-only strip representing the subordinated right to receive cash flows from the pool of securitized loans after payment of required amounts to the holders of the securities and certain costs associated with the securitization.

The Company classifies its residual interests in securitizations as trading securities and records them at fair market value with any unrealized gains or losses recorded in the results of operations.

Valuations of the residual interests in securitizations at each reporting period are based on discounted cash flow analyses. Cash flows are estimated as the amount of the excess of the weighted-average coupon on the loans sold over the sum of the pass-through on the senior certificates, a servicing fee, an estimate of annual future credit losses and prepayment assumptions and other expenses associated with the securitization, discounted at an interest rate which the Company believes is commensurate with the risks involved. The Company uses prepayment and default assumptions that market participants would use for similar instruments subject to prepayment, credit and interest rate risks. The assumptions used by the Company for valuing the residual interests in securitizations arising from its December securitization included a prepayment assumption of 5% for the first year increasing to 25% thereafter, an annual credit loss assumption of 0.75% and a discount rate of 15%. In March 1998, the Company sold its residual interest in this securitization for cash in the amount of $8.3 million which exceeded the carrying value of approximately $8.2 million at the date of sale.

In connection with its securitization transaction, an overcollateralization amount is required to be maintained which serves as credit enhancement to the senior certificate holders. The overcollateralization amount initially consists of the excess of the principal balance of the mortgage loans sold, less the principal balance of the certificates sold to investors. The overcollateralization is required to be maintained at a specific target level of the principal balance of the certificates and can be increased as specified in the related

securitization documents. Cash flows received in excess of the obligations to the senior certificate holders and certain costs of the securitization are deposited into a trust account until the overcollateralization target is reached. Once this target is reached, distributions of excess cash from the trust account are remitted to the Company.

Other components of non-interest income include fees and charges for Bank services and miscellaneous other income. The total of all of these items increased $259,000 from $443,000 for the twelve months ended December 31, 1996 to $702,000 for the twelve months ended December 31, 1997.

NON-INTEREST EXPENSE

Non-interest expense increased $20.5 million, from $9.6 million for the twelve months ended December 31, 1996 to $30.1 million for the twelve months ended December 31, 1997. This increase primarily reflects an increase in salaries, loan commissions, employee benefits and other personnel costs of $13.8 million associated with the expansion of the Company's mortgage and automobile finance operations. In addition, occupancy expense increased $2.1 million, reflecting an increase in the number of mortgage and automobile lending offices. Marketing expense was $1.7 million for the twelve months ended December 31, 1997, compared to $171,000 for the twelve months ended December 31, 1996. This increase is attributable to the Company's retail mortgage lending operations which use extensive direct mail and telemarketing campaigns to target prospective borrowers. Also, as a result of growth in the Company's mortgage finance and automobile lending operations, other operating expense, including stationery and supplies, data processing, insurance, telephone and postage, increased $3.8 million during the twelve months ended December 31, 1997 compared to the same period in 1996.

The Company significantly expanded its mortgage and automobile finance operations, resulting in an increase from 54 employees in five offices and 25 employees in four offices, respectively, as of December 31, 1996 to 359 employees in 22 offices and 60 employees in ten offices, respectively, as of December 31, 1997.

INCOME TAXES

Income taxes increased $3.8 million from $691,000 for the twelve months ended December 31, 1996 to $4.5 million for the twelve months ended December 31, 1997. This increase occurred as a result of a $9.1 million increase in income before income taxes between the two periods offset by a decrease in the effective tax rate from 42.1% for 1996 to 41.8% for 1997.

COMPARISON OF FINANCIAL CONDITION AT DECEMBER 31, 1997 AND DECEMBER 31, 1996

Total assets increased $122.1 million, from $188.7 million at December 31, 1996 to $310.8 million at December 31, 1997. This increase occurred primarily as a result of a $112.9 million increase in loans receivable, from $155.6 million at December 31, 1996 to $268.5 million as of December 31, 1997. The increase in loans was comprised of a $99.2 million increase in mortgage loans held for sale, a $22.7 million increase (net of unearned finance charges) in auto contracts and a $7.9 million increase in insurance premium finance loans, offset by a $20.7 million decrease in loans purchased from the RTC as a result of scheduled principal amortizations and prepayments.

Cash and cash equivalents decreased $7.1 million, from $26.1 million at December 31, 1996 to $19.0 million at December 31, 1997, primarily as a result of funding for the Company's origination of loans.

Residual interests in securitizations were $8.2 million at December 31, 1997 which were entirely attributable to the Company's first securitization in December 1997. There were no residual interests in securitizations at December 31, 1996.

Premises and equipment increased from $822,000 at December 31, 1996 to $3.1 million at December 31, 1997 as a result of purchases of furniture and equipment for the Company's new branch offices and the overall growth in lending operations.

Deposit accounts at the Bank increased $74.1 million, from $159.1 million at December 31, 1996 to $233.2 million at December 31, 1997, due primarily to an increase in CDs of $65.7 million, from $131.4 million at December 31, 1996 to $197.1 million at December 31, 1997. Included in deposits at December 31, 1997 are $17.5 million in brokered CDs. There were no brokered CDs outstanding at December 31, 1996.

Other interest bearing liabilities include the RTC notes payable which remained unchanged at $10.9 million between period ends, FHLB advances which increased from $4.0 million as of December 31, 1996 at a weighted average interest rate of 5.70% to $28.0 million at December 31, 1997 at a weighted average interest rate of 7.07%, notes payable from shareholders which increased $2.0 million between period ends and a warehouse line of credit of $6.2 million at December 31, 1997.

Net deferred tax assets were $3.1 million at December 31, 1997 due principally to temporary differences in the recognition of gain on sale of loans for federal and state income tax reporting and financial statement reporting purposes. For income tax purposes, loans held for sale are marked-to-market.

Shareholders' equity increased from $6.8 million at December 31, 1996 to $13.0 million at December 31, 1997, solely as a result of the Company's net income.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31, 1996 AND DECEMBER 31, 1995

GENERAL

Net income increased from $458,000 for the year ended December 31, 1995 to $950,000 for the year ended December 31, 1996. This increase was due primarily to the expansion of the Company's insurance premium and mortgage finance businesses which commenced in the later part of 1995 and early 1996, respectively. Partially offsetting this increase in net income was an increase in operating costs incurred by UPAM as well as those incurred as a result of the commencement in early 1996 of UACC's operations.

INTEREST INCOME

Interest income increased from $13.5 million for the year ended December 31, 1995 to $16.6 million for the year ended December 31, 1996 due primarily to a 1.9% increase in the average yield on earning assets. While average earning assets decreased $577,000, the components of this balance changed significantly with the average balance of insurance premium finance loans increasing from $2.6 million for the year ended December 31, 1995 to $28.8 million for the comparable period in 1996, and mortgage loans increasing from $105.8 million to $117.9 million, respectively. These increases in average earning assets were offset by a decline in average investments from $52.4 million for the year ended December 31, 1995 to $11.1 million for the year ended December 31, 1996. The changes in average earning assets resulted from the Company's strategy of reinvesting in higher yielding loans, such as subprime mortgage and insurance premium finance loans, rather than investment securities and traditional mortgage loans which dominated the Company's balance sheet in the early years of its operations.

INTEREST EXPENSE

Interest expense increased from $7.7 million for the year ended December 31, 1995 to $7.9 million for the year ended December 31, 1996 due primarily to a $1.3 million decrease in average interest bearing liabilities, offset by a 0.11% increase in the weighted average interest rate on interest bearing liabilities. The largest component of change in interest bearing liabilities was deposits, which decreased from an average

balance of $148.6 million for the year ended December 31, 1995 to $146.2 million for the year ended December 31, 1996. The average cost of deposits increased from 4.87% for the year ended December 31, 1995 to 4.94% for the year ended December 31, 1996.

Other interest bearing liabilities include the RTC Notes Payable, which remained unchanged at $10.9 million at both December 31, 1995 and 1996, and FHLB advances which increased to $4.0 million at December 31, 1996 with a weighted average interest rate of 5.70%. The Bank had no FHLB advances at December 31, 1995.

PROVISION FOR LOAN LOSSES

Provision for loan losses increased from $120,000 for the year ended December 31, 1995 to $194,000 for the year ended December 31, 1996. This increase was due primarily to the growth in 1996 of the Company's insurance premium finance business. The total allowance for loan losses was $5.3 million at December 31, 1995 compared to $5.4 million at December 31, 1996. The increase is attributable to the additional provision for loses recorded during the year ended December 31, 1996 and $356,000 in acquisition discounts related to the Company's purchase of automobile contracts. The Company allocated the estimated amount of discounts attributable to credit risk to the allowance for loan losses. Net loan charge-offs were $108,000 in the year ended December 31, 1995 compared to $444,000 in the year ended December 31, 1996.

A provision for loan losses is charged to operations based on the Company's regular evaluation of its loan portfolio and the adequacy of its allowance for loan losses. While management believes it has adequately provided for losses and does not expect any material loss on its loans in excess of allowances already recorded, no assurance can be given that economic or real estate market conditions or other circumstances will not result in increased losses in the loan portfolio.

NON-INTEREST INCOME

Non-interest income increased $2.5 million, from $318,000 for the year ended December 31, 1995 to $2.8 million for the year ended December 31, 1996. This increase resulted from gain on sale of loans and is due primarily to a substantial increase in the volume of mortgage loans sold by the Company. During the year ended December 31, 1995, the Company sold $3.5 million in mortgage loans compared to $50.1 million during the comparable period in 1996. Net gains on sales of loans, as a percentage of loans sold, were 2.57% for the year ended December 31, 1995 compared to 4.65% for the year ended December 31, 1996. All loans sold during the year ended December 31, 1996 and 1995 were sold as whole loans with servicing released to the investor.

Other components of non-interest income include fees and charges for Bank services and miscellaneous other income. The total of all of these items increased $215,000 from $228,000 for the year ended December 31, 1995 to $443,000 for the year ended December 31, 1996.

NON-INTEREST EXPENSE

Non-interest expense increased $4.4 million, from $5.2 million for the year ended December 31, 1995 to $9.6 million for the year ended December 31, 1996. This increase primarily reflects an increase in salaries, loan commissions, employee benefits and other personnel costs of $2.5 million associated with the

Company's mortgage and automobile finance operations which commenced in early 1996. In addition, occupancy expense increased $402,000 also reflecting an increase in the number of mortgage and automobile finance offices. As a result of growth in mortgage and automobile finance operations, other operating expenses, including stationery and supplies, data processing, insurance, telephone and postage increased $800,000 during the year ended December 31, 1996 compared to the same period in 1995.

As stated above, the Company commenced its subprime mortgage finance and automobile finance businesses in early 1996, and by December 31, 1996 these operations grew to 64 employees in five offices and 25 employees in four offices, respectively.

Also included in 1996 non-interest expense is a one-time special assessment in the amount of $820,000 to recapitalize the SAIF. This assessment of 0.657% of the Bank's assessment base as of March 31, 1995 was enacted through federal legislation and paid by SAIF insured institutions. As a result of this recapitalization, the Bank's future deposit insurance assessments will decrease significantly.

INCOME TAXES

Income taxes increased $307,000 from $384,000 for the year ended December 31, 1995 to $691,000 for the year ended December 31, 1996. This increase occurred as a result of a $799,000 increase in income before income taxes between the two years offset by a decrease in the effective tax rate from 45.6% in 1995 to 42.1% in 1996.

COMPARISON OF FINANCIAL CONDITION AT DECEMBER 31, 1996 AND DECEMBER 31, 1995

Total assets increased $29.1 million, from $159.6 million as of December 31, 1995 to $188.7 million as of December 31, 1996. This increase occurred primarily as a result of a $23.8 million increase in loans, from $131.8 million for the year ended December 31, 1995 to $155.6 million for the year ended December 31, 1996. The increase in loans was comprised of a $20.8 million increase in mortgage loans held for sale, a $7.6 million increase (net of unearned finance charges) in auto contracts and a $15.1 million increase in insurance premium finance loans, offset by a $21.8 million decrease in loans purchased from the RTC, resulting from scheduled principal amortization and prepayments.

Cash and cash equivalents increased $2.5 million, from $23.6 million as of December 31, 1995 to $26.1 million as of December 31, 1996, as a result of increased liquidity from the Company's sale of mortgage loans.

Deposit accounts increased $17.2 million, from $141.9 million as of December 31, 1995 to $159.1 million as of December 31, 1996 due primarily to an increase in CDs of $15.6 million, from $115.8 million as of December 31, 1995 to $131.4 million as of December 31, 1996. The Company uses CDs, in part, to finance the growth of its lending operations.

Other interest-bearing liabilities include the RTC Notes Payable which remained unchanged at $10.9 million at December 31, 1995 and 1996, and FHLB advances which increased to $4.0 million at December 31, 1996 with a weighted average interest rate of 5.70%. There were no FHLB advances at December 31, 1995.

Shareholders' equity increased $950,000 from $5.8 million as of December 31, 1995 to $6.8 million as of December 31, 1996, solely as a result of the Company's net income for the year.

MANAGEMENT OF INTEREST RATE RISK

The principal objective of the Company's interest rate risk management program is to evaluate the interest rate risk inherent in the Company's business activities, determine the level of appropriate risk given the Company's operating environment, capital and liquidity requirements and performance objectives and manage the risk consistent with guidelines approved by the Board of Directors. Through such management, the Company seeks to reduce the exposure of its operations to changes in interest rates. The Board of Directors reviews on a quarterly basis the asset/liability position of the Company, including simulation of the effect on capital of various interest rate scenarios.

The Company's profits depend, in part, on the difference, or "spread," between the effective rate of interest received on the loans it originates and the interest rates paid on deposits and other financing facilities which can be adversely affected by movements in interest rates. In addition, between the time the Company originates loans and investors' sales commitments are received, the Company may be exposed to interest rate risk to the extent that interest rates move upward or downward during the time the loans are held for sale. The Company mitigates these risks somewhat by purchasing or originating adjustable rate mortgages that reprice frequently in an increasing or declining interest rate environment. Also, the Company sells substantially all of its loans held for sale on a regular basis, thereby reducing significantly the amount of time these loans are held by the Company.

The Bank's interest rate sensitivity is monitored by the Board of Directors and management through the use of a model which estimates the change in the Bank's net portfolio value ("NPV") over a range of interest rate scenarios. NPV is the present value of expected cash flows from assets, liabilities and off-balance sheet instruments, and "NPV Ratio" is defined as the NPV in that scenario divided by the market value of assets in the same scenario. The Company reviews a market value model (the "OTS NPV model") prepared quarterly by the OTS, based on the Bank's quarterly Thrift Financial Reports filed with the OTS. The OTS NPV model measures the Bank's interest rate risk by approximating the Bank's NPV under various scenarios which range from a 400 basis point increase to a 400 basis point decrease in market interest rates. The OTS has incorporated an interest rate risk component into its regulatory capital rule for thrifts. Under the rule, an institution whose sensitivity measure, as defined by the OTS, in the event of a 200 basis point increase or decrease in interest rates exceeds 20% would be required to deduct an interest rate risk component in calculating its total capital for purposes of the risk-based capital requirement.

At September 30, 1998, the most recent date for which the relevant OTS NPV model is available, the Bank's sensitivity measure resulting from (i) a 200 basis point decrease in interest rates was 130 basis points and would result in a $7.1 million increase in the NPV of the Bank and (ii) a 200 basis point increase in interest rates was 68 basis points and would result in a $3.7 million decrease in the NPV of the Bank. At September 30, 1998, the Bank's sensitivity measure was below the threshold at which the Bank could be required to hold additional risk-based capital under OTS regulations.

Although the NPV measurement provides an indication of the Bank's interest rate risk exposure at a particular point in time, such measurement is not intended to and does not provide a precise forecast of the effect of changes in market interest rates on the Bank's net interest income and will differ from actual results. Management monitors the results of this modeling, which are presented to the Board of Directors on a quarterly basis.

The following table shows the NPV and projected change in the NPV of the Bank at September 30, 1998 assuming an instantaneous and sustained change in market interest rates of 100, 200, 300 and 400 basis points ("bp"). This table is based on data prepared by the OTS. The Company makes no representation as to the accuracy of this data.

INTEREST RATE SENSITIVITY OF NET PORTFOLIO VALUE

<TABLE>
<CAPTION>

	Net Portfolio Value			NPV as % of Portfolio Value of Assets	
Change in Rates	$ Amount	$ Change	% Change	NPV Ratio	% Change
	(Dollars in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
+400 bp	$42,872	$(11,393)	-21%	9.96%	-220 bp
+300 bp	$47,398	$ (6,867)	-13%	10.87%	-129 bp
+200 bp	$50,532	$ (3,733)	-7%	11.48%	-68 bp
+100 bp	$52,427	$ (1,838)	-3%	11.83%	-33 bp
0 bp	$54,265	--	--	12.16%	--
-100 bp	$57,404	$ 3,139	+6%	12.74%	58 bp
-200 bp	$61,339	$ 7,074	+13%	13.46%	130 bp
-300 bp	$66,166	$ 11,901	+22%	14.33%	217 bp
-400 bp	$70,800	$ 16,535	+30%	15.14%	298 bp

</TABLE>

LIQUIDITY AND CAPITAL RESOURCES

GENERAL

The Company's primary sources of funds have been deposits at the Bank, FHLB advances, financing under secured warehouse lines of credit, principal and interest payments on loans, cash proceeds from the sale or securitization of loans and, to a lesser extent, interest payments on short-term investments and proceeds from the maturation of securities. While maturities and scheduled amortization of loans are a predictable source of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition. However, the Company has continued to maintain the required minimum levels of liquid assets as defined by OTS regulations. This requirement, which may be varied at the direction of the OTS depending upon economic conditions and deposit flows, is based upon a percentage of deposits and short-term borrowings. The required ratio is currently 4%, and the Company has always met or exceeded this requirement. Management, through its Asset and Liability Committee, which meets monthly or more frequently if necessary, monitors rates and terms of competing sources of funds to use the most cost-effective source of funds wherever possible.

On April 23, 1998, the Company's Registration Statement on Form S-1 for the initial public offering of 5,500,000 shares of its Common Stock at a price of $11.00 per share was declared effective by the SEC. The Company received approximately $56 million from the sale of its common stock after underwriting discount and expenses associated with the offering. On May 22, 1998, the Underwriters' over-allotment option for 825,000 shares of Common Stock was exercised resulting in $8 million of additional proceeds being received by the Company, after underwriting discount. The net proceeds from the initial public offering were used for general corporate purposes, including financing the growth of the Company's mortgage and automobile operations, and to repay $2.0 million in indebtedness to certain shareholders.

Sales and securitizations of loans have been one of the primary sources of funds for the Company. During the twelve months ended December 31, 1998 and 1997, cash flows from sales of loans were $1.2 billion, and $493.5 million, respectively.

Another source of funds consists of deposits obtained through the Bank's five retail branches in California. The Bank offers checking accounts, various money market accounts, regular passbook accounts and fixed interest rate certificates with varying maturities and retirement accounts. Deposit account terms vary by interest rate, minimum balance requirements and the duration of the account. Interest rates paid, maturity terms,

service fees and withdrawal penalties are established by the Bank periodically based on liquidity and financing requirements, rates paid by competitors, growth goals and federal regulations. At December 31, 1998, such retail deposits were $249.3 million or 77.5% of total deposits.

The Bank uses wholesale and broker-originated deposits to supplement its retail deposits and, at December 31, 1998, wholesale deposits were $62.1 million or 19.3% of total deposits while broker-originated deposits were $10.3 million or 3.2% of total deposits. The Bank solicits wholesale deposits by posting its interest rates on a national on-line service which advertises the Bank's wholesale products to investors. Generally, most of the wholesale deposit account holders are institutional investors, commercial businesses or public sector entities. Broker deposits are originated through major dealers specializing in such products.

The following table sets forth the average balances and rates paid on each category of deposits for the dates indicated.

<TABLE>
<CAPTION>

	Years Ended December 31,					
	1998		1997		1996	
	Balance	Weighted Average Rate	Balance	Weighted Average Rate	Balance	Weighted Average Rate
	(Dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Passbook accounts	$ 31,476	3.80%	$ 21,452	3.44%	$ 14,665	2.39%
Checking accounts	9,820	1.50%	9,910	1.32%	10,060	1.33%
Certificates of deposit						
Under $100,000	177,491	5.51%	134,961	5.53%	117,055	5.55%
$100,000 and over	78,656	5.67%	31,984	5.90%	4,372	5.88%
Total	$ 297,443	5.24%	$ 198,307	5.15%	$146,152	4.95%

</TABLE>

The following table sets forth the time remaining until maturity for all CDs at December 31, 1998, 1997 and 1996.

<TABLE>
<CAPTION>

	December 31, 1998	December 31, 1997	December 31, 1996

<S>	(Dollars in thousands) <C>	<C>	<C>
Maturity within one year	$242,447	$181,858	$103,369
Maturity within two years	29,548	14,984	26,819
Maturity within three years	154	298	1,177
Total certificates of deposit	$272,149	$197,140	$131,365

</TABLE>

Although the Bank has a significant amount of deposits maturing in less than one year, the Company believes that the Bank's current pricing strategy will enable it to retain a significant portion of these accounts at maturity and that it will continue to have access to sufficient amounts of CDs which, together with other funding sources, will provide the necessary level of liquidity to finance its lending businesses. However, as a result of these shorter-term deposits, the rates on these accounts may be more sensitive to movements in market interest rates which may result in a higher cost of funds.

At December 31, 1998, the Bank exceeded all of its regulatory capital requirements with (i) tangible capital of $29.3 million, or 6.94% of total adjusted assets, which is above the required level of $6.3 million, or 1.50%; (ii) core capital of $29.3 million, or 6.94% of total adjusted assets, which is above the required level of $12.6 million, or 3.00%; and (iii) risk-based capital of $33.2 million, or 10.77% of risk-weighted assets, which is above the required level of $24.6 million, or 8.00%

Under the Federal Deposit Insurance Corporation Act of 1991 ("FDICIA"), the Bank is deemed to be "well capitalized" at December 31, 1998.

The Company has other sources of liquidity, including FHLB advances, warehouse lines of credit and its liquidity and short-term investments portfolio. Through the Bank, the Company obtains advances from the FHLB, collateralized by its portfolio of mortgage loans purchased from the RTC and the Bank's FHLB stock. The FHLB functions as a central reserve bank providing credit for thrifts and certain other member financial institutions. Advances are made pursuant to several programs, each of which has its own interest rate and range of maturities. Limitations on the amount of advances are based generally on a fixed percentage of net worth or on the FHLB's assessment of an institution's credit-worthiness. As of December 31, 1998, the Bank's available borrowing capacity under this credit facility was $4.0 million.

The Bank has $300 million in warehouse lines of credit under which it may sell and repurchase at a set price mortgage loans pending the sale or securitization of such loans. These agreements may be terminated at any time at the option of either party. At December 31, 1998, there were no balances outstanding under these warehouse lines of credit.

Other borrowings of the Company at December 31, 1998 consist of the RTC Notes Payable (as defined below) which mature in 1999.

The following table sets forth certain information regarding the Company's short-term borrowed funds (consisting of FHLB advances and its warehouse lines of credit) at or for the periods ended on the dates indicated.

<TABLE>
<CAPTION>

	At or For Years Ended December 31,		
	1998	1997	1996
<S>	(Dollars in thousands) <C>	<C>	<C>
FHLB advances			
Maximum month-end balance	$34,500	$40,900	$4,000
Balance at end of period	--	28,000	4,000
Average balance for period	13,057	18,526	1,170
Weighted average interest rate on balance at end of period	--%	7.07%	5.70%
Weighted average interest rate on average balance for period	5.10%	5.95%	6.15%
Warehouse lines of credit			
Maximum month-end balance	$95,000	$64,359	$ --
Balance at end of period	--	6,237	--
Average balance for period	43,759	8,914	--
Weighted average interest rate on balance at end of period	--%	6.70%	--%
Weighted average interest rate on average balance for period	6.01%	6.10%	--%

</TABLE>

The Company had no material contractual obligations or commitments for capital expenditures at December 31, 1998. At December 31, 1998, the Company had outstanding commitments to originate loans of $23.3 million, compared to $117.4

million at December 31, 1997. The Company anticipates that it will have sufficient funds available to meet its current origination commitments.

RTC NOTES PAYABLE

In connection with its acquisition of certain assets from the RTC, the Bank obtained loans (the "RTC Notes Payable") from the RTC in the aggregate amount of $10.9 million under the RTC's Minority Interim Capital Assistance Program provided for in Section 21A(u) of the Federal Home Loan Bank Act, as amended (the "FHLBA"). The FHLBA gives the RTC authority to provide interim capital assistance to minority-owned institutions, defined in the FHLBA as more than fifty percent (50%) owned or controlled by one or more minorities. The Bank, PAFI and the RTC entered into an Interim Capital Assistance Agreement on April 29, 1994 with respect to a loan of $6,930,000 and a second Interim Capital Assistance Agreement on September 9, 1994 with respect to a loan of $4,000,000 (together, the "RTC Agreements"). The RTC Agreements provide for repayment of the entire principal amount, plus any accrued, previously unpaid interest thereon, in a single lump sum installment on April 28, 1999 and September 8, 1999, respectively. The RTC Notes Payable may be prepaid at the option of the Bank and must be prepaid in the event that PAFI obtains all or any material portion of its permanent financing prior to maturity of the RTC Notes Payable. The RTC is entitled to declare the entire principal amount of the RTC Notes Payable, plus all interest accrued and unpaid thereon, immediately due and

payable upon the occurrence of certain events of default.

The rate at which interest accrues on the RTC Notes Payable is based on the RTC's "Cost of Funds," defined in the RTC Agreements at the end of the calendar quarter Monday auction yield price for 13 week United States Treasury Bills plus 12.5 basis points, and adjusts annually, in the case of the $6.9 million loan due April 1999, and quarterly, in the case of the $4 million loan due September 1999. Interest accrues on any amount of principal or interest not paid when due at the rate of the RTC's Cost of Funds plus 300 basis points, beginning on the date such unpaid amount became due.

In connection with the RTC Agreements, PAFI and the RTC have entered into Stock Pledge Agreements pursuant to which PAFI has pledged to the RTC all of the issued and outstanding shares of the capital stock of the Bank as security for the repayment of the RTC Notes Payable.

LENDING ACTIVITIES

To date, the Company has sold most of its loan originations to mortgage companies and other investors through whole loan packages on a primarily non-recourse, servicing released basis. As a result, upon sale, risks and rewards of ownership transfer to the buyer. In December 1997, the Company completed its first securitization of mortgage loans and in March 1998 sold its residual interests in this securitization to a third-party. All loan sales in 1998 were whole loan sales with servicing released to the purchaser. In March 1999, the Company completed its second securitization of mortgage loans.

Summary of Loan Portfolio. At December 31, 1998, the Company's loan portfolio constituted $348.1 million, or 81.8% of the Company's total assets, of which $133.7 million, or 38.4%, were held for investment and $214.4 million, or 61.6%, were held for sale. Loans held for investment are reported at cost, net of unamortized discounts or premiums and allowance for losses. Loans held for sale are reported at the lower of cost or market value.

The following table sets forth the composition of the Company's loan portfolio at the dates indicated.

<TABLE>
<CAPTION>

	December 31, 1998	December 31, 1997	December 31, 1996	December 31, 1995	December 31, 1994
<S>	<C>	<C>	<C>	<C>	<C>
MORTGAGE LOANS					
Mortgage loans (purchased primarily from RTC)					
Held for sale	$ 18,289	$ --	$ --	$ --	$ --
Held for investment	14,039	81,995	102,733	124,483	57,274
Total mortgage loans	32,328	81,995	102,733	124,483	57,274
Subprime mortgage loans					
Held for sale	196,117	120,002	20,766	--	--
Held for investment	17,570	5,375	1,294	--	--
Total subprime mortgage loans	213,687	125,377	22,060	--	--
Total mortgage loans	246,015	207,372	124,793	124,483	57,274

CONSUMER LOANS					
Automobile installment contracts	83,921	40,877	10,830	--	--
Insurance premium financing	44,709	39,990	32,058	16,975	--
Other consumer loans	1,245	267	230	31	235
Total consumer loans	129,875	81,134	43,118	17,006	235
Total loans	375,890	288,506	167,911	141,489	57,509
Unearned discounts and premiums	(212)	(2,901)	(3,697)	(4,445)	(4,333)
Unearned finance charges	(17,371)	(10,581)	(3,271)	--	--
Allowance for loan losses	(10,183)	(6,487)	(5,356)	(5,250)	(378)
Total loans, net	$348,124	$268,537	$155,587	$131,794	$52,798

</TABLE>

Loan Maturities. The following table sets forth the dollar amount of loans maturing in the Company's loan portfolio at December 31, 1998 based on scheduled contractual amortization. Loan balances are reflected before unearned discounts and premiums, unearned finance charges and allowance for losses.

<TABLE>
<CAPTION>

	At December 31, 1998						
	One Year or Less	More Than 1 Year to 3 Years	More Than 3 Years to 5 Years	More Than 5 Years to 10 Years	More Than 10 Years to 20 Years	More Than 20 Years	Total Loans
	(Dollars in thousands)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Mortgage loans held for investment	$ --	$ 29	$ 59	$ 82	$ 3,593	$ 27,846	$ 31,609
Mortgage loans held for sale	19	579	1,500	4,483	24,116	183,709	214,406
Consumer loans	46,396	40,909	41,398	1,172	--	--	129,875
Total	$46,415	$41,517	$42,957	$5,737	$27,709	$211,555	$375,890

</TABLE>

The following table sets forth, at December 31, 1998, the dollar amount of loans receivable that were contractually due after one year and indicates whether such loans have fixed or adjustable interest rates.

<TABLE>
<CAPTION>

	Due After December 31, 1999		
	Fixed	Adjustable	Total
	(In thousands)		
<S>	<C>	<C>	<C>
Mortgage loans held for investment	$ 3,495	$ 28,114	$ 31,609
Mortgage loans held for sale	49,225	165,162	214,387
Consumer loans	83,479	--	83,479
Total	$136,199	$193,276	$329,475

</TABLE>

CLASSIFIED ASSETS AND ALLOWANCE FOR LOAN LOSSES

The Company maintains an asset review and classification process for purposes of assessing loan portfolio quality and the adequacy of its loan loss allowances. The Company's Asset Review Committee reviews for classification all problem and potential problem assets and reports the results of its review to the Board of Directors quarterly. The Company has incorporated the OTS internal asset classifications as a part of its credit monitoring systems and in order of increasing weakness, these designations are "substandard," "doubtful" and "loss." Substandard assets have one or more defined weaknesses and are characterized by the distinct possibility that some loss will be sustained if the deficiencies are not corrected. Doubtful assets have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, questionable and there is a high possibility of loss. Loss assets are considered uncollectible and of such little value that continuance as an asset is not warranted. Assets which do have weaknesses but do not currently have sufficient risk to warrant classification in one of the categories described above are designated as "special mention."

At December 31, 1998, the Company had $1.3 million in assets classified as special mention, $22.1 million of assets classified as substandard, $47,000 in assets classified as doubtful and no assets classified as loss.

The following table sets forth the remaining balances of all loans (before specific reserves for losses) that were more than 30 days delinquent at December 31, 1998, 1997 and 1996.

Loan Delinquencies	December 31, 1998	% of Total Loans	December 31, 1997	% of Total Loans	December 31, 1996	% of Total Loans
	(Dollars in thousands)					
30 to 59 days	$ 9,743	2.8%	$ 356	0.1%	$1,941	1.2%
60 to 89 days	8,161	2.3%	994	0.4%	109	0.1%
90+ days	11,424	3.3%	7,101	2.6%	6,430	3.9%
Total	$29,328	8.4%	$8,451	3.1%	$8,480	5.2%

Nonaccrual and Past Due Loans. The Company's general policy is to discontinue accrual of interest on a mortgage loan when it is two payments or more delinquent, accordingly, loans are placed on non-accrual status generally when they are 60-89 days delinquent. A non-mortgage loan is placed on nonaccrual status when it is delinquent for 120 days or more. When a loan is reclassified from accrual to nonaccrual status, all previously accrued interest is reversed. Interest income on nonaccrual loans is subsequently recognized only to the extent that cash payments are received or the borrower's ability to make periodic interest and principal payments is in accordance with the loan terms, at which time the loan is returned to accrual status. Accounts which are deemed fully or partially uncollectible by management are generally fully reserved or charged off for the amount that exceeds the estimated fair value (net of selling costs) of the underlying collateral. The Company does not generally modify, extend or rewrite loans and at December 31, 1998 had no troubled debt restructured loans.

The following table sets forth the aggregate amount of nonaccrual loans (net of unearned discounts and premiums and unearned finance charges) at December 31, 1998, 1997 and 1996.

	December 31, 1998	1997	1996	1995	1994
	(Dollars in thousands)				
Nonaccrual loans					
Single-family residential	$19,242	$5,766	$5,504	$ 5,086	$1,439
Multi-family residential and commercial	214	605	605	154	--
Consumer and other loans	1,168	1,426	928	--	--
Total	$20,624	$7,797	$7,037	$ 5,240	$1,439
Nonaccrual loans as a percentage of					
Total loans held for investment	15.42%	5.25%	5.22%	3.85%	2.73%
Total assets	4.85%	2.51%	3.73%	3.28%	0.80%
Allowance for loan losses as a percentage of					
Total loans held for investment	7.62%	4.37%	3.97%	3.98%	0.72%
Nonaccrual loans	49.37%	83.20%	76.11%	100.19%	26.27%

For the years ended December 31, 1998, 1997 and 1996, the amount of interest income that would have been recognized on nonaccrual loans if such loans had continued to perform in accordance with their contractual terms was $1.1 million, $337,000 and $370,000, respectively. The total amount of interest income recognized on nonaccrual loans was $470,000, $212,000 and $364,000 for the years ended December 31, 1998, 1997 and 1996, respectively. Accruing loans over 90 days past due were $19,000 and $66,000 at December 31, 1998 and 1997. There were no accruing loans over 90 days past due at December 31, 1996.

Real Estate Owned. Real estate acquired through foreclosure or by deed in lieu of foreclosure ("REO") is recorded at the lower of cost or fair value at the time of foreclosure. Subsequently, an allowance for estimated losses is established when the recorded value exceeds fair value less estimated selling costs. Holding and maintenance costs related to real estate owned are recorded as expenses in the period incurred. At December 31, 1998, 1997 and 1996, real estate owned was $1.9 million, $562,000 and $988,000, respectively, and consisted entirely of one to four family residential properties.

Allowance for Loan Losses. The following is a summary of the changes in the consolidated allowance for loan losses of the Company for the periods indicated.

	At or For the Year Ended December 31, 1998	1997	1996	1995	April 29, 1994 (Inception) to December 31, 1994
	(Dollars in thousands)				
ALLOWANCE FOR LOAN LOSSES					
Balance at beginning of period	$ 6,487	$ 5,356	$5,250	$ 378	$ --
Provision for loan losses	5,853	507	194	120	50
Charge-offs					
Mortgage loans held for investment	(4,536)	(373)	(285)	(108)	--
Mortgage loans held for sale	--	--	--	--	--
Consumer loans	(3,793)	(2,101)	(433)	--	--
	(8,329)	(2,474)	(718)	(108)	--
Recoveries					
Mortgage loans held for investment	452	77	--	--	--
Mortgage loans held for sale	--	--	--	--	--
Consumer loans	1,138	1,068	274	--	--
	1,590	1,145	274	--	--
Net charge-offs	(6,739)	(1,329)	(444)	(108)	--
Acquisition discounts allocated to loss allowance	4,582	1,953	356	4,860	328
Balance at end of period	$10,183	$ 6,487	$5,356	$5,250	$ 378
Annualized net charge-offs to average loans	1.73%	0.60%	0.30%	0.10%	--
Ending allowance to period end loans, net	7.62%	4.37%	3.97%	3.98%	0.72%

	At December 31, 1998 Amount	1998 Percent of Loans in Each Category to Total Loans	1997 Amount	1997 Percent of Loans in Each Category to Total Loans	1996 Amount	1996 Percent of Loans in Each Category to Total Loans
	(Dollars in thousands)					
Distribution of end of period allowance by loan type						
Mortgage loans held for investment	$ 5,676	21.8%	$3,653	51.9%	$4,295	70.7%
Consumer loans	4,507	78.2%	2,246	48.1%	1,061	29.3%
Unallocated	--	--	588	--	--	--
	$10,183	100.0%	$6,487	100.0%	$5,356	100.0%

The Company's policy is to maintain an allowance for loan losses to absorb future losses which may be realized on its loan portfolio. These allowances include specific reserves for identifiable impairments of individual loans and general valuation allowances for estimates of probable losses not specifically identified. In addition, the Company's allowance for loan losses is also increased by its allocation of acquisition discounts related to the purchase of automobile installment contracts.

The determination of the adequacy of the allowance for loan losses is based on a variety of factors, including an assessment of the credit risk inherent in the portfolio, prior loss experience, the levels and trends of non-performing loans, the concentration of credit, current and prospective economic conditions and other factors.

The Company's management uses its best judgment in providing for possible loan losses and establishing allowances for loan losses. However, the allowance is an estimate which is inherently uncertain and depends on the outcome of future events. In addition, regulatory agencies, as an integral part of their examinations process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to increase the allowance based upon their judgment of the information available to them at the time of their examination. The Bank's current year examination by its regulatory agencies was completed recently and no adjustments to the Bank's allowance for loan losses was required.

CASH EQUIVALENTS AND SECURITIES PORTFOLIO

The Company's cash equivalents and securities portfolios are used primarily for liquidity purposes and secondarily for investment income. Cash equivalents and securities, which generally have maturities of less than 90 days, satisfy regulatory requirements for liquidity.

The following is a summary of the Company's cash equivalents and securities portfolios as of the dates indicated.

	December 31, 1998	1997	1996
	(Dollars in thousands)		
Balance at end of period			
Overnight deposits	$47,000	$4,000	$21,000
U.S. agency securities	--	1,002	--
Total	$47,000	$5,002	$21,000
Weighted average yield at end of period			
Overnight deposits	3.00%	3.50%	5.02%
U.S. agency securities	--	6.54%	--
Weighted average maturity at end of period			
Overnight deposits	1 day	1 day	1 day
U.S. agency securities	--	24 months	--

IMPACT OF INFLATION AND CHANGING PRICES

The financial statements and notes thereto presented herein have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), which require the measurement of financial position and operating results in terms of historical dollar amounts without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of the Company's operations. Unlike industrial companies, nearly all of the assets and liabilities of the Company are monetary in nature. As a result, interest rates have a greater impact on the Company's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services.

YEAR 2000 COMPLIANCE

State of Readiness. The Company is working to resolve the potential impact of the Year 2000 on the ability of the Company's computerized information systems to accurately process information that may be date-sensitive. Any of the Company's programs that recognize a date using "00" as the Year 1900 rather than the Year 2000 could result in errors or system failures. The Company utilizes a number of computer programs across its entire operations.

The Company established a Year 2000 project management team in 1997 to ensure that its operating systems will be fully capable of processing its transactions. The Company also adopted a Year 2000 operating plan in accordance with the guidelines prescribed by the OTS and the Federal Financial Institutions Examination Council. The assessment and awareness phases of the plan have been completed and the Company is now in the testing phase for its third-party service providers. Substantially all internal computer applications were tested and validated during 1998.

The Company relies upon third-party software vendors and service providers for a substantial amount of its electronic data processing. Thus, one of the Company's Year 2000 focuses is to monitor the progress of its primary software vendors and service providers towards compliance with Year 2000 issues and prepare to test actual data of the Company on simulated processing of future sensitive dates. It is expected that all critical systems provided by third party service providers will be tested and validated by June 1999.

The Company has initiated formal communications with its customers and vendors to determine the extent to which the Company may be affected by the failure of these parties to correct their own year 2000 issues. The company's borrowers and customers are generally consumers which mitigates much of the Year 2000 risk. As of this time, the Company has not identified any significant issues with its major customers or vendors.

Costs to Address the Year 2000 Issue. The Company has budgeted expenditures of approximately $600,000 to ensure that its systems are ready for processing information in the Year 2000. The majority of these expenditures relate to the cost of fully dedicated Year 2000 project management team resources, some of whom are third party contractors. The Company estimates that it has incurred approximately $325,000 of its Year 2000 budget expenditures through December 31, 1998 and will incur an additional $250,000 by the end of 1999. In addition, the Company has incurred, and will continue to incur, certain costs relating to the temporary reallocation of its internal resources to address Year 2000 issues.

Risks Presented by the Year 2000 Issue. Should the Company and/or its third-party software vendors and service providers upon whom the Company relies fail to timely identify, address and correct material Year 2000 issues, such failure could have a material adverse impact on the Company's ability to operate. The range of adverse impacts may include the requirement to pay significant overtime to manually process certain transactions and added costs to process certain financing activity through a centralized administrative function. In addition, if corrections made by such third-party software vendors and service providers to address Year 2000 issues are incompatible with the Company's systems, the Year 2000 issue could have a material adverse impact on the Company's operations.

Despite the Company's activities in regards to the Year 2000 issue, there can be no assurance that partial or total systems interruptions or the costs necessary to update hardware and software will not have a material adverse effect on the Company's business, financial condition, results of operations and business prospects.

Contingency Plans. The Year 2000 project management team currently is developing contingency plans in the event of an unanticipated business interruption as a result of a Year 2000 systems failure. These plans will address how the Company operates its critical activities in a business interruption resulting from any Year 2000 issues. An initial draft of the plan was completed in 1998 with final plans to be adopted by June 1999. There can be no assurance, however, that such contingency plans will be successful.

ACCOUNTING STANDARDS

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income" ("SFAS 130"), which establishes standards for reporting and displaying comprehensive income and its components in the consolidated financial statements. SFAS 130 does not, however, require a specific format for presenting such information, but requires the Company to display an amount representing total comprehensive income for the periods presented in that financial statement. For the years ended December 31, 1998, 1997 and 1996, the Company had no items of comprehensive income to report other than net income.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), which establishes accounting and reporting standards for derivative instruments and for hedging activities. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities in the statements of financial condition and measure those instruments at fair value. SFAS 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 1999.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information regarding Quantitative and Qualitative Disclosures About Market Risk is set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations Management of Interest Rate Risk" of Item 7 to this Annual Report on Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

<TABLE>
<CAPTION>

</TABLE>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

United PanAm Financial Corp. intends to file with the Securities and Exchange Commission a definitive proxy statement (the "Proxy Statement") pursuant to Regulation 14A. Incorporated herein by this reference is the information required by this Item 10 set forth in the Sections entitled "Discussion of Proposals Recommended by the Board Proposal 1: Elect Seven Directors Nominees," "Information About Directors and Executive Officers Executive Officers and Key Employees," and "Did Directors, Executive Officers and Greater-Than-10% Shareholders Comply With Section 16(a) Beneficial Ownership Reporting in 1998" contained in the 1999 Proxy Statement to be filed with the SEC 120 days after December 31, 1998.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by this reference is the information required by this Item 11 set forth in the Sections entitled "Information About Directors and Executive Officers" contained in the 1999 Proxy Statement, to be filed with the SEC 120 days after December 31, 1998.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated herein by this reference is the information required by this Item 12 set forth in the Section entitled "Information About UPFC Stock Ownership" contained in the 1999 Proxy Statement, to be filed with the SEC 120 days after December 31, 1998.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated herein by this reference is the information set forth in the Section entitled "Information About Directors and Executive Officers Relationships and Related Transactions" contained in the 1999 Proxy Statement, to be filed with the SEC 120 days after December 31, 1998.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) FINANCIAL STATEMENTS. Reference is made to the Index to Consolidated Financial Statements on page F-1 for a list of financial statements filed as a part of this Annual Report.

(2) FINANCIAL STATEMENT SCHEDULES. All financial statement schedules are omitted because of the absence of the conditions under which they are required to be provided or because the required information is included in the financial statements listed above and/or related notes.

(3) LIST OF EXHIBITS. The following is a list of exhibits filed as a part of this Annual Report.

Exhibit No.	Description
3.1.2*	Articles of Incorporation of the Registrant, as amended.

3.2.2* Bylaws of the Registrant

10.1* Insurance Premium Financing Management Agreement dated May 17, 1995, between Pan American Bank, FSB and BPN Corporation.

10.2* First Amendment to Insurance Premium Financing Management Agreement and Guaranties dated October 1995, between Pan American Bank, FSB and BPN Corporation .

10.3* Second Amendment to Insurance Premium Financing Management Agreement and Guaranties dated February 28, 1996, among Pan American Bank, FSB, BPN Corporation, Cornelius J. O'Shea, Peter Walski and Barbara Walski.

10.4* Guaranty dated May 17, 1995 by Peter Walski and Barbara Walski to Pan American Bank, FSB.

10.5* Guaranty dated May 17, 1995 by Cornelius J. O'Shea to Pan American Bank, FSB.

10.6* Stock Option Agreement dated May 17, 1995, among BPN Corporation, Pan American Group, Inc., Peter A. Walski, Barbara R. Walski, Cornelius J. O'Shea and The Walski Family Trust.

Exhibit No.	Description
10.7*	First Amendment to Stock Option Agreement dated October 1, 1997, among BPN Corporation, Pan American Group, Inc., Peter A. Walski, Barbara R. Walski, Cornelius J. O'Shea and The Walski Family Trust.
10.8*	Interim Capital Assistance Agreement dated September 9, 1994, among Pan American Financial, Inc., Pan American Bank, FSB and the Resolution Trust Corporation.
10.9*	Amendment No. 1 to Interim Capital Assistance Agreement dated May 1, 1997, among Pan American Financial, Inc., Pan American Bank, FSB and the Federal Deposit Insurance Corporation.
10.10*	Interim Capital Assistance Agreement dated April 29, 1994, among Pan American Financial, Inc., Pan American Bank, FSB and the Resolution Trust Corporation.
10.10.1*	Standard Purchase and Assumption Terms and Conditions, Theta Version, dated July 26, 1993.
10.11*	Letter agreement dated March 2, 1995, between Pan American Bank, FSB and the Resolution Trust Corporation.
10.12*	Promissory Note dated September 9, 1994 in the amount of $4 million by Pan American Financial, Inc. to the Resolution Trust Corporation.
10.13*	Stock Pledge Agreement dated September 9, 1994, between Pan American Financial, Inc. and the Resolution Trust Corporation.
10.14*	Limited Branch Purchase and Assumption Agreement dated September 9, 1994, between the Resolution Trust Corporation as receiver of Western Federal Savings Bank and Pan American Bank, FSB.
10.15*	Lead Acquiror Waiver and Reimbursement Agreement dated September 9, 1994, between Home Savings of America, FSB and Pan American Bank, FSB.
10.16*	Indemnity Agreement dated September 9, 1994, between the Resolution Trust Corporation and Pan American Bank, FSB.
10.17*	Whole Purchase and Assumption Agreement dated April 29, 1994, between the Resolution Trust Corporation and Pan American Bank, FSB.
10.18*	Indemnity Agreement dated April 29, 1994, between the Resolution Trust Corporation and Pan American Bank, FSB.
10.19*	Promissory Note dated April 29, 1994 in the amount of $6,930,000 by Pan American Financial, Inc. to the Resolution Trust Corporation.
10.20*	Stock Pledge Agreement dated April 29, 1994, between Pan American Financial, Inc. and the Resolution Trust Corporation.
10.21*	Advances and Security Agreement dated January 29, 1996, between the Federal Home Loan Bank of San Francisco and Pan American Bank, FSB.

Exhibit No.	Description
10.22*	Retail CD Brokerage Agreement dated April 30, 1996, between Pan American Bank, FSB and Merrill Lynch, Pierce, Fenner & Smith, Incorporated.
10.23*	Fixed Rate Interest bearing--3 Months and Longer Retail Certificate of Deposit of Pan American, FSB, Master Certificate No. 2 dated May 12, 1997.
10.24*	Fixed Rate Interest bearing--3 Months and Longer Retail Certificate of Deposit of Pan American Bank, FSB, Master Certificate No. 3 dated May 12, 1997.
10.25*	License, Services, and Purchase Agreement dated December 1996, between Associated Software Consultants, Inc. and Pan American, FSB and all addendums thereto.
10.26*	Agreement for Remote Computing Services dated April 4, 1995, between Pan American Bank, FSB and Fiserv Fresno, Inc.
10.27*	Amendment to Computer Operating Agreement between Pan American Bank, FSB and Fiserv Fresno, Inc.
10.28*	Addendum No. 2 to Agreement for Remote Computing Services effective as of April 1, 1996, between Pan American Bank, FSB and Fiserv Fresno, Inc.
10.29*	Item Processing Agreement dated April 26, 1993, between Systematics Financial Services, Inc. and Pan American Savings Bank, FSB.
10.30*	Support Services Agreement dated October 31, 1995, between Alan King and Company, Inc. and Pan American Savings Bank, FSB.
10.31*	Technical Support Services Agreement dated May 1, 1995, between Alan King and Company, Inc. and Pan American Savings Bank, FSB.
10.32*	License Agreement dated May 1, 1995, between Alan King and Company, Inc. and Pan American Savings Bank, FSB.
10.33*	Subservicing Agreement dated March 2, 1995, between Pan American Bank, FSB and Dovenmuehle Mortgage, Inc.
10.34*	Interim Operating Agreement dated July 1, 1997, between United PanAm Mortgage Corporation and Pan American Bank, FSB.
10.34.1*	Amended and Restated Interim Operating Agreement dated as of December 31, 1997, between United PanAm Mortgage Corporation and Pan American Bank, FSB.
10.35*	Inter-Company Agreement dated May 1, 1994, between Pan American Financial, Inc. and Pan American Bank, FSB.
10.36*	Inter-Company Agreement dated August 1, 1994, between Pan American Group, Inc. and Pan American Bank, FSB.

Exhibit No.	Description
10.37*	Employment Agreement dated May 7, 1996, between Pan American Bank, FSB and Ray C. Thousand.
10.38*	Employment Agreement dated May 1, 1994, between Pan American Bank, FSB and Lawrence J. Grill.
10.39*	Employment Agreement dated October 1, 1997, among the Predecessor, Pan American Bank, FSB and Lawrence J. Grill.
10.39.1*	Amendment No. 1 to Employment Agreement dated November 1, 1997, among the Predecessor, Pan American Bank, FSB and Lawrence J. Grill.
10.40*	Employment Agreement dated October 1, 1997, between the Predecessor and Guillermo Bron.
10.40.1*	Amendment No. 1 to Employment Agreement dated November 1, 1997, between the Predecessor and Guillermo Bron.
10.41*	Employment Agreement dated October 1, 1997, between United PanAm Mortgage Corporation and John T. French.

10.41.1* First Amendment to Employment Agreement dated November 14, 1997 between United PanAm Mortgage Corporation and John T. French.

10.42* Salary Continuation Agreement dated October 1, 1997, between Pan American Bank, FSB and Lawrence J. Grill.

10.43* Salary Continuation Agreement dated October 1, 1997, between Pan American Bank, FSB and Guillermo Bron.

10.44* Form of Indemnification Agreement between the Predecessor and Ms. Bucci and each of Messrs. Bron, French, Grill, Haley, Kaufman, Maizel, Thousand and Villanueva .

10.45* Agreement and Mutual General Release dated March 5, 1997, between Pan American Bank, FSB and Robert Wilson.

10.46* Pan American Group, Inc. 1994 Stock Option Plan, together with forms of incentive stock option and non-qualified stock option agreements.

10.47* Pan American Group, Inc. 1997 Stock Incentive Plan, together with forms of incentive stock option, non-qualified stock option and restricted stock agreements.

10.48* Pan American Bank, FSB Management Incentive Plan.

10.48.1* Pan American Bank, FSB Retail Bank Management Incentive Plan.

10.48.2* Pan American Bank, FSB Corporate Management Incentive Plan.

10.49* Pan American Bank, FSB 401(k) Profit Sharing Plan, as amended.

Exhibit No.	Description
10.50*	Income Tax Allocation Agreement dated October 19, 1994, between Pan American Bank, FSB, Pan American Financial, Inc. and the Predecessor.
10.51*	Lease Agreement dated September 26, 1994, between the Resolution Trust Corporation and Old Stone Bank of California and Pan American Bank, FSB.
10.52*	First Amendment to Lease Agreement dated November 19, 1995, between the Resolution Trust Corporation and Old Stone Bank of California and Pan American Bank, FSB.
10.53*	Office Lease dated March 4, 1997, between Spieker Properties, L.P. and Pan American Bank, FSB.
10.54*	Office Space Lease dated January 18, 1996, between The Irvine Company and Pan American Bank, FSB.
10.55*	First Amendment to Office Space Lease dated July 2, 1996, between The Irvine Company and Pan American Bank, FSB.
10.56*	Standard Office Lease dated April 25, 1997, between CAL Portfolio VI, L.L.C. and Pan American Bank, FSB.
10.57*	Office Lease Agreement dated February 28, 1997, between P.R.A. Biltmore Investments, L.L.C. and Pan American Bank, FSB.
10.58*	Office Lease dated December 9, 1996, between Bernal Corporate Park and Pan American Bank, FSB.
10.59*	Bernal Corporate Park Lease First Amendment to Lease dated January 27, 1997.
10.60*	Shopping Center Sublease dated September 22, 1995, between Panorama Towne Center, L.P. and Pan American Bank, FSB.
10.61*	Promissory Note in the principal amount of $225,000 dated October 15, 1997 by Lawrence J. Grill to the Predecessor.
10.62*	Loan and Stock Pledge Agreement dated October 15, 1997, between Lawrence J. Grill and the Predecessor.
10.63*	Promissory Note in the principal amount of $1,628,000 dated July 1, 1997 by the Predecessor to Pan American Financial, L.P.
10.63.1*	Amended and Restated Promissory Note in the principal amount of $1,628,000 dated January 15, 1998 by the Predecessor to Pan American Financial, L.P.

10.64*	Promissory Note in the principal amount of $258,000 dated July 1, 1997 by the Predecessor to BVG West Corporation.
10.64.1*	Amended and Restated Promissory Note in the principal amount of $258,000 dated January 15, 1998 by the Predecessor to BVG West Corporation.

Exhibit No.	Description
10.65*	Promissory Note in the principal amount of $52,500 dated July 1, 1997 by the Predecessor to Lawrence J. Grill.
10.65.1*	Amended and Restated Promissory Note in the principal amount of $52,500 dated January 15, 1998 by the Predecessor to Lawrence J. Grill.
10.66*	Promissory Note in the principal amount of $33,000 dated July 1, 1997 by the Predecessor to Robert Wilson.
10.66.1*	Amended and Restated Promissory Note in the principal amount of $33,000 dated January 15, 1998 by the Predecessor to Robert Wilson.
10.67*	Promissory Note in the principal amount of $28,500 dated July 1, 1997 by the Predecessor to Villanueva Management, Inc.
10.67.1*	Amended and Restated Promissory Note in the principal amount of $28,500 dated January 15, 1998 by the Predecessor to Villanueva Management, Inc.
10.68*	Master Repurchase Agreement Governing Purchases and Sales of Mortgage Loans dated as of October 31, 1997, between Lehman Commercial Paper Inc. and Pan American Bank, FSB.
10.69*	Custodial Agreement dated November 6, 1997, among Lehman Commercial Paper Inc., Pan American Bank, FSB and Bankers Trust Company of California, N.A.
10.70*	Loan Purchase and Sale Agreement dated April 1, 1997, among Aames Capital Corporation, Aames Funding Corporation and Pan American Bank, FSB.
10.71*	Continuing Loan Purchase Agreement dated February 27, 1997, between AMRESCO Residential Capital Markets, Inc. and Pan American Bank, FSB.
10.72*	Mortgage Loan Purchase Agreement dated May 28, 1997, between Saxon Mortgage, Inc. and Pan American Bank, FSB.
10.73*	Letter Agreement dated as of January 6, 1998, by and among the Predecessor, NIPF Holding Company and Providian National Bank.
10.74*	Master Assignment Agreement dated as of January 21, 1998 by and between Pan American Bank, FSB d/b/a "Classic Plan" and Providian National Bank d/b/a "Commonwealth," and National IPF Company.
10.75*	Pooling and Servicing Agreement dated as of December 1, 1997, by and among United PanAm Mortgage Corporation, Lehman ABS Corporation, Pan American Bank, FSB and Bankers Trust Company of California, N.A.
10.76*	Mortgage Loan Purchase and Sale Agreement dated as of December 1, 1997, by and among United PanAm Mortgage Corporation, Pan American Bank, FSB and Lehman ABS Corporation.

Exhibit No.	Description
10.77*	Insurance and Indemnity Agreement dated as of December 1, 1997, by and among United PanAm Mortgage Corporation, Lehman ABS Corporation, Pan American Bank, FSB and Financial Security Assurance Inc.
10.78*	Indemnification Agreement dated as of December 22, 1997, by and among United PanAm Mortgage Corporation, Financial Security Assurance Inc., Pan American Bank, FSB, Lehman ABS Corporation and Lehman Brothers Inc.

10.79*	Subservicing Agreement dated as of December 1, 1997, by and between Pan American Bank, FSB and Ocwen Federal Bank, FSB.
10.80*	Premium Letter by and among United PanAm Mortgage Corporation, Lehman ABS Corporation and Financial Security Assurance Inc.
10.81*	Indemnification Agreement dated as of December 30, 1997 among United PanAm Mortgage Corporation, Pan American Bank, FSB and Lehman Brothers Inc.
10.82*	Certificate and Prepayment Fee Purchase Agreement dated March 25, 1998 between Pan American Bank, FSB and Ocwen Partnership, L.P.
10.83*	Residential Flow Servicing Agreement dated effective as of November 10, 1997, by and between Ocwen Federal Bank FSB, Servicer, and Pan American Bank, FSB and United PanAm Mortgage Corporation.
10.84*	United PanAm Mortgage Corporation 1998 Management Incentive Plan.
10.85*	United Auto Credit Corporation 1998 Management Incentive Plan.
10.85.1*	Forms of Incentive Stock Option Agreement and Nonqualified Stock Option Agreement.
10.86**	Mortgage Loan Purchase and Interim Servicing Agreement dated June 23, 1998, between Pan American Bank, FSB and Countrywide Home Loans, Inc.
10.87***	Assignment, Assumption and Recognition Agreement dated August 14, 1998, between Countrywide Home Loans, Inc., Associates Home Equity Services, Inc. and Pan American Bank, FSB.
10.88***	Assignment, Assumption and Recognition Agreement dated August 14, 1998, between Countrywide Home Loans, Inc., Fidelity Federal Bank, FSB and Pan American Bank, FSB.
10.89***	Assignment, Assumption and Recognition Agreement dated September 15, 1998 between Countrywide Home Loans, Inc., Southern Mortgage Acquisitions, Inc. and Pan American Bank, FSB.
10.90***	Assignment, Assumption and Recognition Agreement dated September 30, 1998, between Countrywide Home Loans, Fidelity Federal Bank, FSB and Pan American Bank, FSB.
10.91***	Employment Agreement dated July 6, 1998, between United PanAm Mortgage Corporation and Edward Pollard.

Exhibit No.	Description
10.92	Agreement for Assignment of Software dated November 5, 1998 between Pan American Bank, FSB and BPN Corporation.
10.93	Loan and Stock Pledge Agreement dated November 5, 1998 by and among Barbara R. Walski, Peter A. Walski, and the Walski Family Trust u/d/t/ dated August 30, 1989, BPN Corporation and Pan American Bank, FSB.
10.94	Loan and Stock Pledge Agreement dated November 5, 1998 by and among Cornelius J. O'Shea and the Cornelius J. O'Shea Living Trust, BPN Corporation and Pan American Bank, FSB.
10.95	Promissory Note in the principal amount of $780,000 dated November 5, 1998 by and between Peter A. Walski, Barbara R. Walski, and the Walski Family Trust u/d/t/ dated August 30, 1989 and Pan American Bank, FSB.
10.96	Promissory Note in the principal amount of $420,000 dated November 5, 1998 by and between Cornelius J. O'Shea and the Cornelius J. O'Shea Living Trust and Pan American Bank, FSB.
10.97	Agreement for Purchase of Assets dated November 5, 1998 by and between Norwest Financial Coast, Inc., Pan American Bank, FSB and BPN Corporation.
10.98	Continuing Master Loan Repurchase Agreement dated October 2, 1995 between Advanta Mortgage Conduit Services, Inc. and Pan American Bank, FSB.
10.99	Assignment, Assumption and Recognition Agreement dated September

30, 1998 between Countrywide Home Loans, Inc. and Pan American Bank, FSB.

10.100	Whole Loan Sale Agreement dated December 23, 1998 between Fremont Investment and Loan and Pan American Bank, FSB.
10.101	Employment Agreement dated December 8, 1998, between Pan American Bank, FSB and Ray C. Thousand
10.102	On-line Computer Service Agreement dated June 19, 1998 between DHI Computing, Inc. and Pan American Bank, FSB
21.1*	Subsidiaries.
23.1	Consent of KPMG LLP.
27.1	Financial Data Schedule.

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* Incorporated herein by reference from the Exhibits to Form S-1 Registration Statement, declared effective on April 23, 1998, Registration No. 333-39941.

** Incorporated herein by reference from the Exhibits to Form 10-Q for the quarter ended June 30, 1998.

*** Incorporated herein by reference from the Exhibits to Form 10-Q for the quarter ended September 30, 1998.

(b) REPORTS ON FORM 8-K. None

(c) EXHIBITS. Reference is made to the Exhibit Index and exhibits filed as a part of this report.

(d) ADDITIONAL FINANCIAL STATEMENTS. Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

United PanAm Financial Corp.

By: /s/ LAWRENCE J. GRILL

Lawrence J. Grill
PRESIDENT, CHIEF EXECUTIVE OFFICER
AND SECRETARY

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Signature	Title	Date
/S/ GUILLERMO BRON	CHAIRMAN OF THE BOARD	MARCH 22, 1999
/S/ LAWRENCE J. GRILL	PRESIDENT, CHIEF EXECUTIVE OFFICER, SECRETARY AND DIRECTOR (PRINCIPAL EXECUTIVE OFFICER)	MARCH 22, 1999
/S/ CAROL M. BUCCI	SENIOR VICE PRESIDENT CHIEF FINANCIAL OFFICER AND TREASURER (PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER)	MARCH 22, 1999
/S/ STEPHEN W. HALEY	SENIOR VICE PRESIDENT - COMPLIANCE AND RISK MANAGEMENT	MARCH 22, 1999

/S/ JOHN T. FRENCH	DIRECTOR	MARCH 22, 1999
/S/ EDMUND M. KAUFMAN	DIRECTOR	MARCH 22, 1999
/S/ DANIEL L. VILLANUEVA	DIRECTOR	MARCH 22, 1999
/S/ LUIS MAIZEL	DIRECTOR	MARCH 22, 1999
/S/ GEORGE L. FARINSKY	DIRECTOR	MARCH 22, 1999

</TABLE>

EXHIBIT INDEX

EXHIBITS. Reference is made to the Exhibit Index and exhibits filed as a part of this report.

UNITED PANAM FINANCIAL CORP.

INDEX TO FINANCIAL STATEMENTS

<TABLE>

</TABLE>

INDEPENDENT AUDITORS' REPORT

The Board of Directors
United PanAm Financial Corp.:

We have audited the accompanying consolidated statements of financial condition of United PanAm Financial Corp. and subsidiaries (the "Company") as of December 31, 1998 and 1997, and the consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three year period ended December 31, 1998. The consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of United PanAm Financial Corp. and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows, for each of the years in the three year period ended December 31, 1998 in conformity with generally accepted accounting principles.

As discussed in Note 2 of the Consolidated Financial Statements, effective January 1, 1997, the Company adopted Statement of Financial Accounting Standards No. 125 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities".

/s/ KPMG LLP

San Francisco, California
January 29, 1999

UNITED PANAM FINANCIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in thousands)	December 31, 1998	December 31, 1997
ASSETS		
Cash and due from banks	$ 5,211	$ 15,026
Short term investments	47,000	4,000
Cash and cash equivalents	52,211	19,026
Securities available for sale, at fair value	--	1,002
Residual interests in securitizations, at fair value	--	8,230
Loans, net	133,718	148,535
Loans held for sale	214,406	120,002
Premises and equipment, net	4,803	3,085
Federal Home Loan Bank stock, at cost	2,120	1,945
Accrued interest receivable	2,034	1,494
Real estate owned, net	1,877	562
Deferred tax assets	2,953	3,083
Goodwill and other intangible assets	2,349	457
Other assets	9,088	3,333
Total assets	$425,559	$310,754
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	$321,668	$233,194
Notes payable	10,930	12,930
Federal Home Loan Bank advances	--	28,000
Warehouse lines of credit	--	6,237
Accrued expenses and other liabilities	10,048	17,384
Total liabilities	342,646	297,745
Commitments and contingencies	--	--
Common stock (no par value): Authorized, 20,000,000 shares Issued and outstanding, 17,375,000 and 10,950,000 shares at December 31, 1998 and 1997, respectively	68,378	5,237
Retained earnings	14,535	7,772
Total shareholders' equity	82,913	13,009
Total liabilities and shareholders' equity	$425,559	$310,754

See accompanying notes to consolidated financial statements.

UNITED PANAM FINANCIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)	Years Ended December 31, 1998	1997	1996
INTEREST INCOME			
Loans	$43,999	$25,872	$15,855
Short term investments	1,346	639	706
Total interest income	45,345	26,511	16,561

INTEREST EXPENSE			
Deposits	15,329	10,095	7,225
Warehouse lines of credit	2,628	544	--
Federal Home Loan Bank advances	666	1,103	72
Notes payable	623	669	556
Total interest expense	19,246	12,411	7,853
Net interest income	26,099	14,100	8,708
Provision for loan losses	5,853	507	194
Net interest income after provision for loan losses	20,246	13,593	8,514
Non-interest Income			
Gain on sale of loans, net	50,130	26,526	2,333
Loan related charges and fees	135	422	116
Service charges and fees	672	230	272
Other income	129	50	55
Total non-interest income	51,066	27,228	2,776
NON-INTEREST EXPENSE			
Compensation and benefits	36,833	19,043	5,248
Occupancy expense	5,456	2,891	809
SAIF special assessment	--	--	820
Other expenses	17,269	8,148	2,772
Total non-interest expense	59,558	30,082	9,649
Income before income taxes	11,754	10,739	1,641
Income taxes	4,991	4,491	691
Net income	$ 6,763	$ 6,248	$ 950
Earnings per share-basic	$ 0.44	$ 0.58	$ 0.09
Earnings per share-diluted	$ 0.42	$ 0.53	$ 0.09

</TABLE>

See accompanying notes to consolidated financial statements.

UNITED PANAM FINANCIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

(Dollars in thousands)	Number of Shares	Common Stock	Retained Earnings	Total Shareholders' Equity
<S>	<C>	<C>	<C>	<C>
Balance, December 31, 1995	10,668,750	$ 5,237	$ 574	$ 5,811
Net income	--	--	950	950
Balance, December 31, 1996	10,668,750	5,237	1,524	6,761
Net income	--	--	6,248	6,248
Exercise of stock options	281,250	225	--	225
Note receivable from shareholder	--	(225)	--	(225)
Balance, December 31, 1997	10,950,000	5,237	7,772	13,009
Net income	--	--	6,763	6,763
Exercise of stock options	100,000	80	--	80
Issuance of stock options	--	10	--	10
Issuance of restricted stock	--	50	--	50
Initial public offering of common stock	6,325,000	63,001	--	63,001
Balance, December 31, 1998	17,375,000	$68,378	$14,535	$82,913

</TABLE>

See accompanying notes to consolidated financial statements.

UNITED PANAM FINANCIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>
(Dollars in thousands)

	Years Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$ 6,763	$ 6,248	$ 950
Adjustments to reconcile net income to net cash used in operating activities:			
Gain on sale of loans	(50,130)	(26,526)	(2,333)
Origination of loans held for sale	(1,192,869)	(582,433)	(71,848)
Sales of loans held for sale	1,153,541	493,526	52,224
Net proceeds from sale of residual interests in securitizations	8,302	--	--
Provision for loan losses	5,853	507	194
Accretion of discount on loans	(596)	(722)	(696)
Depreciation and amortization	1,840	842	270
FHLB stock dividend	(114)	(95)	(74)
(Increase) decrease in accrued interest receivable	(540)	(649)	324
Increase in other assets	(5,667)	(2,159)	(117)
Deferred income taxes	130	(1,678)	(420)
(Decrease) increase in accrued expenses and other liabilities	(7,424)	9,380	6,127
Other, net	140	--	--
Net cash used in operating activities	(80,771)	(103,759)	(15,399)
Cash flows from investing activities:			
Proceeds from maturities of investment securities	1,002	1,000	--
Originations, net of repayments, of mortgage loans	40,630	22,431	19,538
Originations, net of repayments, of non-mortgage loans	(39,982)	(29,782)	(22,485)
Purchase of securities available for sale	--	(2,002)	--
Purchase of premises and equipment	(3,320)	(2,975)	(776)
Purchase of FHLB stock, net	(61)	(563)	(448)
Increase in goodwill and other intangible assets	(2,130)	--	--
Proceeds from sale of real estate owned	2,579	2,243	923
Net cash used in investing activities	(1,282)	(9,648)	(3,248)
Cash flows from financing activities:			
Net increase in deposits	88,474	74,133	17,137
Proceeds (repayments) from warehouse lines of credit	(6,237)	6,237	--
Proceeds (repayments) from notes payable	(2,000)	2,000	--
Proceeds from initial public offering of common stock, net	63,001	--	--
Proceeds (repayments) from FHLB advances	(28,000)	24,000	4,000
Net cash provided by financing activities	115,238	106,370	21,137
Net increase (decrease) in cash and cash equivalents	33,185	(7,037)	2,490
Cash and cash equivalents at beginning of period	19,026	26,063	23,573
Cash and cash equivalents at end of period	$ 52,211	$ 19,026	$ 26,063

</TABLE>

See accompanying notes to consolidated financial statements.

UNITED PANAM FINANCIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED

<TABLE>
<CAPTION>
(Dollars in thousands)

	Years Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Supplemental disclosures of cash flow information:			
Cash paid for:			
Interest	$19,410	$12,087	$7,856

Taxes	$ 8,285	$ 5,360	$1,512
Supplemental schedule of non-cash investing and financing activities:			
Acquisition of real estate owned through foreclosure of related mortgage loans	$ 3,893	$ 1,817	$1,613

</TABLE>

See accompanying notes to consolidated financial statements.

UNITED PANAM FINANCIAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS

ORGANIZATION

United PanAm Financial Corp. (the "Company") was incorporated in California on April 9, 1998 for the purpose of reincorporating its business in that state, through the merger of United PanAm Financial Corp., a Delaware corporation (the "Predecessor"), into the Company. Unless the context indicates otherwise, all references herein to the "Company" include the Predecessor. The Company was originally organized as a holding company for Pan American Financial, Inc. ("PAFI") and Pan American Bank, FSB (the "Bank") to purchase certain assets and assume certain liabilities (the "Purchase Agreement") of Pan American Federal Savings Bank from the Resolution Trust Corporation (the "RTC") on April 29, 1994. The Company, PAFI and the Bank are considered to be minority owned. PAFI is a wholly-owned subsidiary of the Company and the Bank is a wholly-owned subsidiary of PAFI. United PanAm Mortgage Corporation ("UPAM") was organized in 1997 as a wholly-owned subsidiary of the Company and is presently acting as agent for the Bank in secondary marketing activities.

On April 23, 1998, the Company's Registration Statement on Form S-1 for the initial public offering of 5,500,000 shares of its Common Stock was declared effective by the United States Securities and Exchange Commission. On May 22, 1998, the underwriters' over-allotment option for 825,000 shares of Common Stock was exercised.

These financial statements have been prepared in conformity with generally accepted accounting principles. In preparing these financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

In 1997, the Company changed its fiscal year end from June 30 to December 31 for both financial and income tax reporting purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company, PAFI, UPAM and the Bank. Substantially all of the Company's revenues are derived from the operations of the Bank and UPAM and they represent substantially all of the Company's consolidated assets and liabilities as of December 31, 1998 and 1997. Significant inter-company accounts and transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS

For financial statement purposes, cash and cash equivalents include cash on hand, non-interest-bearing deposits, certificates of deposit, Federal funds sold, Commercial Paper and highly liquid interest-bearing deposits with maturities of three months or less.

In accordance with regulations, the Bank must maintain an amount equal to 4% of the sum of total deposits and short-term borrowings in cash and U.S. Government and other approved securities that are readily convertible to cash. The Bank exceeded these requirements at December 31, 1998 and 1997.

SECURITIES

Securities are classified in one of three categories; held to maturity, trading, or available for sale. Investments classified as held to maturity are carried at amortized cost because management has both the intent and ability to hold these investments to maturity. Investments classified as trading are carried at fair value with any gains and losses reflected in earnings. All other investments are classified as available for sale

and are carried at fair value with any unrealized gains and losses included as a separate component of stockholders' equity, net of applicable taxes.

LOANS

The Company originates and purchases loans for investment as well as for sale in the secondary market. At the date of acquisition, mortgage loans are designated as either held for sale or held for investment, and accounted for accordingly. Loans held for sale are reported at the lower of cost or market value applied on an aggregate basis. Market values of loans held for sale are based upon prices available in the secondary market for similar loans. Loans which are held for investment are reported at cost, net of unamortized discounts or premiums, unearned loan origination fees and allowances for losses. Transfers of loans from the held for sale portfolio to the held for investment portfolio are recorded at the lower of cost or market value on the transfer date.

INTEREST INCOME

Interest income is accrued as it is earned. Loan origination fees and certain direct loan origination costs are deferred and recognized in interest income over the contractual lives of the related loans using the interest method. When a loan is paid-off or sold, the unamortized balance of these deferred fees and costs is recognized in income. The Company ceases to accrue interest on mortgage loans that are delinquent 90 days or more and on non-mortgage loans delinquent 120 days or more, or earlier, if the ultimate collectibility of the interest is in doubt. Interest income deemed uncollectible is reversed. The Company ceases to amortize deferred fees on non-performing loans. Income is subsequently recognized only to the extent cash payments are received, until in management's judgment, the borrower's ability to make periodic interest and principal payments is in accordance with the loan terms, at which time the loan is returned to accrual status.

RESIDUAL INTERESTS IN SECURITIZATIONS

In December 1997, the Company completed a securitization and sale of approximately $115.0 million in mortgage loans held for sale and recorded a net gain on sale of $5.9 million. As a result of this securitization, the Company recorded residual interests in securitizations consisting of beneficial interests in the form of an interest-only strip representing the subordinated right to receive cash flows from the pool of securitized loans after payment of required amounts to the holders of the securities and certain costs associated with the securitization.

The Company classifies its residual interests in securitizations as trading securities and records them at fair market value with any unrealized gains or losses recorded in the results of operations. In March 1998, the Company sold its residual interests in securitizations for cash in an amount exceeding book value.

Valuations of the residual interests in securitizations at each reporting period are based on discounted cash flow analyses. Cash flows are estimated as the amount of the excess of the weighted-average coupon on the loans sold over the sum of the interest pass-through on the senior certificates, a servicing fee, an estimate of annual future credit losses and prepayment assumptions and other expenses associated with the securitization, discounted at an interest rate which the Company believes is commensurate with the risks involved. The Company uses prepayment and default assumptions that market participants would use for similar instruments subject to prepayment, credit and interest rate risks.

GAIN ON SALE OF LOANS

Gains or losses resulting from sales of mortgage loans are recognized at settlement and are based on the difference between the sales proceeds and the carrying value of the related loans sold. Non-refundable fees and direct costs associated with the origination of mortgage loans are deferred and recognized when the loans are sold. For securitizations, the gain on sale is calculated based on the excess of cash received and residual interests retained over net book value of the loans sold. The retained interest in the securitization is measured by allocating the previous carrying value between the loans sold and the interest retained, based on their relative fair values at the date of securitization.

ALLOWANCE FOR LOAN LOSSES

The Company charges current earnings with a provision for estimated losses on loans. The provision consists of losses identified specifically with certain problem loans and a general provision for losses not specifically identified in the loan portfolio. In addition, the allowance for loan losses includes a portion of acquisition discounts from the Company's purchase of automobile installment contracts. Management's determination of the adequacy of the allowance for loan losses takes into consideration numerous factors, including an assessment of the credit risk inherent in the portfolio, prior loss experience, the levels and trends of non-performing loans, the concentration of credit, current and prospective economic conditions and other factors. Additionally, regulatory authorities, as an integral part of their examination process, review the Company's allowance for estimated losses based on their judgment of information available to them at the time of their examination and may require the recognition of additions to the allowance.

PREMISES AND EQUIPMENT

Premises and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed on the straight-line method over the shorter of the estimated useful lives of the related assets or terms of the leases. Furniture, equipment, computer hardware, software and data processing equipment are currently depreciated over 3-5 years.

PURCHASE ACCOUNTING

The Company applied business combinations purchase accounting principles to its acquisition of assets and liabilities from the RTC. The purchase price was allocated primarily to the assets acquired by the Company. The fair value was determined based on management's best estimates in conformity with Accounting Principles Board Opinion ("APB") No. 16 "Business Combinations".

Loan discount resulting from the valuation of the Company's loan portfolio under purchase accounting requirements at the acquisition date is netted against loans. The discount is being amortized over the contractual terms of the related loans using the interest method.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets consists of core deposit premiums arising from the acquisition of deposits and the excess of cost over the fair value of certain net assets acquired.

In 1994, the Company purchased deposits from the RTC and recorded core deposit premiums in conjunction with the acquisition. At December 31, 1998 and 1997 core deposit premiums totaling $330,000 and $457,000, respectively, are being amortized over seven years, the estimated life of the acquired deposit base, using the straight-line method.

In January 1998, the Company purchased from Providian National Bank and others the rights to solicit new and renewal personal and commercial insurance premium finance business from brokers who previously provided contracts to Providian National Bank. The excess of the cash consideration paid over the fair value of the assets acquired of $330,000 was considered goodwill. At December 31, 1998, goodwill of $219,000 is being amortized over three years, the estimated life of the acquired assets, using the straight-line method.

In November 1998, the Company purchased from Norwest Financial Coast ("Coast") the rights to solicit new and renewal personal and commercial insurance premium finance business from brokers who

previously provided contracts to Coast. The excess of the cash consideration paid over the fair value of the assets acquired of $1.8 million was considered goodwill. This goodwill is being amortized over five years, the estimated life of the acquired assets, using the straight-line method.

REAL ESTATE OWNED

Real estate owned consists of properties acquired through foreclosure and is recorded at the lower of cost or fair value at the time of foreclosure. Subsequently, allowance for estimated losses are established when the recorded value exceeds fair value less estimated costs to sell. As of December 31, 1998 and 1997, there were no such allowances. Real estate owned at December 31, 1998 and 1997 consisted of one to four unit residential real estate.

INCOME TAXES

The Company uses the asset/liability method of accounting for income taxes. Under the asset/liability method, deferred tax assets and liabilities are recognized for the future consequences of differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases (temporary differences). Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are recovered or settled. The effect of deferred tax assets and liabilities from a change in tax rate is recognized in income in the period of enactment. For income tax return purposes, the Company files as part of a consolidated group. Income taxes are allocated to the group members in accordance with an income tax allocation agreement adopted by each party in the group.

EARNINGS PER SHARE

At December 31, 1997, the Company adopted SFAS No. 128, Earnings Per Share. Under SFAS No. 128, basic EPS excludes dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted from issuance of common stock.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 130, "Reporting Comprehensive Income" ("SFAS 130"), which establishes standards for reporting and displaying comprehensive income and its components in the consolidated financial statements. SFAS 130 does not, however, require a specific format for presenting such information, but requires the Company to display an amount representing total comprehensive income for the periods presented in that financial statement. For the years ended December 31, 1998 and 1997, the Company had no items of comprehensive income to report other than net income.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), which establishes accounting and reporting standards for derivative instruments and for hedging activities. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities in the statements of financial condition and measure those instruments at fair value. SFAS 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 1999.

In June 1996, the FASB issued SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS 125"). SFAS 125 provides accounting and reporting standards for transfers and servicing of financial assets, and distinguishes transfers of financial assets that are sales from transfers that are secured borrowings. In December 1996, SFAS No. 127, "Deferral of the

Effective Date of Certain Provisions of FASB Statement No. 125" ("SFAS 127") was issued as an amendment of SFAS No. 125. On January 1, 1997, the Company adopted SFAS 125.

3. SECURITIES AVAILABLE FOR SALE

Securities available for sale are as follows:

<TABLE>

<CAPTION>

(Dollars in thousands)	December 31, 1998 Amortized Cost	December 31, 1998 Fair Value	December 31, 1997 Amortized Cost	December 31, 1997 Fair Value
<S>	<C>	<C>	<C>	<C>
U. S. Agency securities	$ --	$ --	$1,002	$1,002

</TABLE>

The weighted average yield on U. S. agency securities was 6.54% at December 31, 1997. At December 31, 1997 there were no gross unrealized gains or losses.

4. LOANS

Loans are summarized as follows:

<TABLE>
<CAPTION>

(Dollars in thousands)	Years Ended December 31, 1998	1997
<S>	<C>	<C>
Mortgage loans:		
Fixed rate	$ 3,495	$ 16,480
Adjustable rate	28,114	70,890
	31,609	87,370
Consumer loans:		
Insurance premium financing	44,709	39,990
Automobile installment contracts	83,921	40,877
Other	1,245	267
	129,875	81,134
Total loans	161,484	168,504
Less:		
Unearned discounts and premiums	(212)	(2,901)
Unearned finance charges	(17,371)	(10,581)
Allowance for loan losses	(10,183)	(6,487)
Total loans, net	$133,718	$148,535
Contractual weighted average interest rate	17.07%	13.01%

</TABLE>

At December 31, 1998 and 1997, approximately 97% and 99%, respectively, of the Company's mortgage loans were collateralized by first deeds of trust on one-to-four family residences. At December 31, 1998 and 1997, approximately 83% and 82%, respectively, of the Company's loan portfolio is related to collateral or borrowers located in California.

In connection with the purchase of the rights to solicit new and renewal personal and commercial insurance premium finance business from Coast, the Company made loans in the amount of $1.2 million to two stockholders of BPN, the company that provides insurance premium finance marketing and sales support for the Company. The loans earn interest at a rate of 9.25% per annum, are secured by BPN's common stock and provide for principal and interest payments over a three year period.

The activity in the allowance for loan losses consists of the following:

<TABLE>
<CAPTION>

(Dollars in thousands)	Years Ended December 31, 1998	1997	1996
<S>	<C>	<C>	<C>
Balance at beginning of year	$ 6,487	$ 5,356	$5,250
Provision for loan losses	5,853	507	194
Purchase discounts allocated to the allowance for loan losses, net	4,582	1,953	356
Charge-offs	(8,329)	(2,474)	(718)

Recoveries	1,590	1,145	274
Net charge-offs	(6,739)	(1,329)	(444)
Balance at end of year	$10,183	$ 6,487	$5,356

</TABLE>

The discounts allocated to the allowance for loan losses in 1998 and 1997 are comprised primarily of acquisition discounts on the Company's purchase of automobile installment contracts. The Company allocates the estimated amount of discounts attributable to credit risk to the allowance for loan losses.

The following table sets forth information with respect to the Company's non-performing assets:
(nonaccrual loans are shown net of specific allowances for loan losses)

<TABLE>
<CAPTION>

(Dollars in thousands)	December 31, 1998	December 31, 1997
<S>	<C>	<C>
Nonaccrual loans	$18,632	$6,633
Real estate owned, net	1,877	562
Totals	$20,509	$7,195
Percentage of non-performing assets to total assets	4.82%	2.31%

</TABLE>

A loan is impaired when, based on current information and events, management believes it will be unable to collect all amounts contractually due under a loan agreement. Loans are evaluated for impairment as part of the Company's normal internal asset review process. When a loan is determined to be impaired, a valuation allowance is established based upon the difference between the Company's investment in the loan and the fair value of the collateral securing the loan.

At December 31, 1998, the aggregate investment in loans considered to be impaired was $19.5 million and $6.5 million at December 31, 1997. Allowance for loan losses was provided for all impaired loans at December 31, 1998 and 1997; the related allowances were $1.8 million and $1.0 million, respectively. For the years ended December 31, 1998 and 1997, the Company recognized interest income on impaired loans of $470,000 and $239,000, respectively, all of which was recorded using the cash received method. The average recorded investment in impaired loans during the years ended December 31, 1998 and 1997 was approximately $12.8 million and $6.8 million, respectively.

Under Federal regulations, the Company may not make real estate loans to one borrower in an amount exceeding 15% of its unimpaired capital and surplus, plus an additional 10% for loans secured by readily marketable collateral. At December 31, 1998 and 1997, such limitation would have been approximately $4.4 million and $3.4 million, respectively, or $7.3 million and $5.7 million if secured by readily marketable collateral. There are no loans in excess of these limitations.

5. FEDERAL HOME LOAN BANK STOCK

The Bank is a member of the Federal Home Loan Bank System ("FHLB") and as such is required to maintain an investment in capital stock of the FHLB of San Francisco. At December 31, 1998 and 1997 the Bank owned 21,195 and 19,450 shares, respectively, of the FHLB's $100 par value capital stock. The amount of stock required is adjusted annually based on a determination made by the FHLB. The determination is based on the balance of the Bank's outstanding residential loans and advances from the FHLB.

6. INTEREST RECEIVABLE

Interest receivable is as follows:

<TABLE>
<CAPTION>

(Dollars in thousands)	December 31, 1998	December 31, 1997

Loans	$1,985	$1,429
Investment securities	49	65
Total	$2,034	$1,494

7. PREMISES AND EQUIPMENT

Premises and equipment are as follows:

(Dollars in thousands)	December 31, 1998	December 31, 1997
Furniture and equipment	$ 6,856	$3,650
Leasehold improvements	473	366
	7,329	4,016
Less accumulated depreciation and amortization	(2,526)	(931)
	$ 4,803	$3,085

Depreciation and amortization expense was $1.6 million, $715,000 and $163,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

8. DEPOSITS

Deposits are summarized as follows:

	December 31,			
	1998		1997	
(Dollars in thousands)	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Deposits with no stated maturity:				
Regular and money market passbook	$ 37,348	4.05%	$ 26,095	3.76%
NOW accounts	9,967	1.15	6,558	.80
Money market checking	2,204	2.35	3,401	2.35
	49,519	3.39	36,054	3.09
Time deposits less than $100,000	194,396	5.40	144,926	5.56
Time deposits $100,000 and over	77,753	5.32	52,214	5.89
	272,149	5.38	197,140	5.65
Total deposits	$321,668	5.07%	$233,194	5.25%

A summary of certificate accounts by remaining maturity is as follows:

(Dollars in thousands)	December 31, 1998	December 31, 1997
Maturity within one year	$242,447	$181,858
Maturity within two years	29,548	14,984
Maturity within three years	154	298
Total	$272,149	$197,140

Broker-originated deposits totaled $10.3 million and $17.5 million at December 31, 1998 and 1997, respectively.

9. FEDERAL HOME LOAN BANK ADVANCES

The Company had no short term FHLB advances at December 31, 1998 and $28.0 million at December 31, 1997. The advances outstanding at December 31, 1997 had a weighted average interest rate of 7.07%. FHLB advances were secured by the Company's stock in the FHLB of San Francisco and by pledges of certain mortgages with an aggregate balance of $55.3 million at December 31, 1997.

10. NOTES PAYABLE

Notes payable consist of the following:

(Dollars in thousands)

	December 31, 1998	December 31, 1997
RTC notes payable	$10,930	$10,930
Notes payable to shareholders	--	2,000
	$10,930	$12,930

The RTC notes payable were issued in connection with the Company's acquisition of certain assets and liabilities from the RTC. See Note 15 for a description of the terms and conditions of these notes.

The notes payable to shareholders are unsecured loans bearing interest at 8% per year with interest payable semi-annually and principal maturing on June 30, 1999. The proceeds from the notes payable were contributed to UPAM for working capital purposes. The notes payable may be prepaid at any time, without penalty and were paid off in April 1998.

The maturities of notes payable at December 31, 1998 are as follows:

(Dollars in thousands)

Due in 1 year or less	$10,930
Due in 1 to 3 years	--
	$10,930

11. WAREHOUSE LINES OF CREDIT

The Company has available $300 million in master repurchase credit facilities bearing interest based on one month LIBOR. The credit facilities provide for a committed amount of $125 million. At December 31, 1998, the Company had no outstanding balances under its credit facilities and had $6.2 million outstanding at an interest rate of 6.70% at December 31, 1997. The maximum amount outstanding at any month-end during 1998 and the average amount outstanding during 1998 were $95.0 million and $40.5 million, respectively. The credit facilities are secured by mortgage loans held for sale.

12. INCOME TAXES

The provision for income taxes is comprised of the following:

(Dollars in thousands)

	Years Ended December 31, 1998	1997	1996
Federal taxes:			
Current	$3,718	$ 4,622	$ 807
Deferred	35	(1,303)	(302)
	3,753	3,319	505
State taxes:			
Current	1,143	1,547	304
Deferred	95	(375)	(118)

	1,238	1,172	186
Total	$4,991	$ 4,491	$ 691

</TABLE>

The tax effects of significant items comprising the Company's net deferred taxes as of December 31 are as follows:

<TABLE>
<CAPTION>

(Dollars in thousands)	December 31, 1998	1997
<S>	<C>	<C>
Deferred tax assets:		
Franchise taxes	$ 399	$ 452
Loans marked to market for tax purposes	2,300	2,797
Intangible assets	160	96
Accrued lease obligation closed offices	329	--
Compensation related reserve	302	49
Other	116	107
Total gross deferred tax assets	3,606	3,501
Deferred tax liabilities:		
Loan loss allowances	(508)	(202)
FHLB stock dividends	(145)	(99)
Other	--	(117)
Total gross deferred tax liabilities	(653)	(418)
Net deferred tax assets	$2,953	$3,083

</TABLE>

The Company believes a valuation allowance is not needed to reduce the net deferred tax assets as it is more likely than not that the deferred tax assets will be realized through recovery of taxes previously paid or future taxable income.

The Company's effective income tax rate differs from the federal statutory rate due to the following:

<TABLE>
<CAPTION>

	Years Ended December 31, 1998	1997	1996
<S>	<C>	<C>	<C>
Expected statutory rate	34.0%	34.0%	34.0%
State taxes, net of federal benefits	7.0	7.2	7.5
Other, net	1.5	0.6	0.6
Effective tax rate	42.5%	41.8%	42.1%

</TABLE>

For 1996, the Company filed its income tax return using a fiscal year end of June 30, 1996. Accordingly, the amounts reflected in this Note for 1996 are management's estimates of income tax expenses and deferred income taxes at that date.

Amounts for the current year are based upon estimates and assumptions as of the date of this report and could vary significantly from amounts shown on the tax returns as filed. Accordingly, the variances from the amounts previously reported for 1997 are primarily a result of adjustments to conform to the tax returns as filed.

13. REGULATORY CAPITAL REQUIREMENTS

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") established new capital standards for savings institutions, requiring the Office of Thrift Supervision ("OTS") to promulgate regulations to prescribe and maintain uniformly applicable capital standards for savings institutions.

Such regulations include three capital requirements: a tangible capital requirement equal to 1.5% of adjusted total assets, a leverage limit or core capital requirement equal to 3.0% of adjusted total assets, and a risk-based capital requirement equal to 8.0% of risk-weighted assets.

At December 31, the Bank had the following regulatory capital requirements and capital position:

	DECEMBER 31, 1998			December 31, 1997		
(Dollars in thousands)	ACTUAL	REQUIRED	EXCESS	ACTUAL	REQUIRED	EXCESS
Tangible capital	$29,251	$ 6,321	$22,930	$22,379	$ 4,619	$17,760
Tangible capital ratio	6.94%	1.50%	5.44%	7.27%	1.50%	5.77%
Core capital	$29,251	$12,642	$16,609	$22,379	$ 9,239	$13,140
Core capital (leverage) ratio	6.94%	3.00%	3.94%	7.27%	3.00%	4.27%
Risk-based capital	$33,154	$24,625	$ 8,529	$24,938	$16,171	$ 8,767
Percent of risk-weighted assets	10.77%	8.00%	2.77%	12.34%	8.00%	4.34%

The FDIC Improvement Act of 1991 ("FDICIA") required each federal banking agency to implement prompt corrective actions for institutions that it regulates. In response to these requirements, the OTS adopted final rules, effective December 19, 1992, based upon FDICIA's five capital tiers: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

The rules provide that a savings association is "well capitalized" if its leverage ratio is 5% or greater, its Tier 1 risk-based capital ratio is 6% or greater, its total risk-based capital ratio is 10% or greater, and the institution is not subject to a capital directive.

As used herein, leverage ratio means the ratio of core capital to adjusted total assets, Tier 1 risk-based capital ratio means the ratio of core capital to risk-weighted assets, and total risk-based capital ratio means the ratio of total capital to risk-weighted assets, in each case as calculated in accordance with current OTS capital regulations. Under these regulations, the Bank is deemed to be "well capitalized" as of December 31, 1998. Since that date, there are no conditions or events that management believes would have changed its "well-capitalized" designation.

The Bank had the following regulatory capital calculated in accordance with FDICIA's capital standards for a "well capitalized" institution:

	DECEMBER 31, 1998			December 31, 1997		
(Dollars in thousands)	ACTUAL	REQUIRED	EXCESS	ACTUAL	REQUIRED	EXCESS
Leverage	$29,251	$21,070	$ 8,181	$22,379	$15,398	$ 6,981
Leverage ratio	6.94%	5.00%	1.94%	7.27%	5.00%	2.27%
Tier 1 risk-based	$29,251	$18,469	$10,782	$22,379	$12,128	$10,251
Tier 1 risk-based ratio	9.50%	6.00%	3.50%	11.07%	6.00%	5.07%
Total risk-based	$33,154	$30,781	$ 2,373	$24,938	$20,213	$ 4,725
Total risk-based ratio	10.77%	10.00%	0.77%	12.34%	10.00%	2.34%

At periodic intervals, both the OTS and Federal Deposit Insurance Corporation ("FDIC") routinely examine the Bank's financial statements as part of their legally prescribed oversight of the savings and loan industry. Based on these examinations, the regulators can direct that the Bank's financial statements be adjusted in accordance with their findings.

On September 30, 1996, the Economic Growth and Regulatory Paperwork Reduction Act ("Act") of 1996 was enacted. The Act included a Special Assessment ("Special SAIF Assessment") related to the recapitalization of the SAIF, which was levied based on a rate of 65.7 cents per $100 of SAIF-insured domestic deposits held as of March 31, 1995. As a result of the Act, the Company recorded a pre-tax charge of $820,000 in the year ended December 31, 1996.

14. COMMITMENTS AND CONTINGENCIES

Certain branch and office locations are leased by the Company under operating leases expiring at various dates through the year 2006. Rent expense was $3.0 million, $1.5 million and $475,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

Future minimum rental payments as of December 31, 1998 under existing leases are set forth as follows:

(Dollars in thousands)

YEAR ENDING DECEMBER 31:	
1999	$ 2,412
2000	2,681
2001	2,332
2002	1,944
2003	868
Thereafter	285
Total	$10,522

Under the RTC Minority Preference Resolution Program, the Company's Mission Street branch is subject to a rent-free lease until April 30, 1999. The Company executed a new five year lease with the landlord at current market rates, commencing May 1, 1999.

In order to meet the borrowing needs of its customers, the Company is a party to certain commitments to extend credit which have specified interest rates and fixed expiration dates. These commitments, substantially all of which are to fund mortgages on one-to-four family residences, are considered off-balance sheet financial instruments. These instruments involve elements of credit risk and interest rate risk in excess of amounts recognized in the accompanying statements of financial condition. The Company's exposure to credit loss from these commitments to extend credit, in the event of borrower nonperformance, is represented by the contractual amount of these commitments. Certain of the commitments are expected to expire without being drawn upon and, accordingly, the total commitment amounts do not necessarily represent future cash requirements.

At December 31, 1998 and 1997, the Company had outstanding commitments to originate loans of approximately $23.3 million and $117.4 million, respectively. Commitments outstanding included $17.8 million and $93.3 million of adjustable rate loans at December 31, 1998 and 1997 and $5.5 million and $24.1 million of fixed rate loans at December 31, 1998 and 1997, respectively. The fixed rate loan commitments have interest rates ranging from 8.38% to 14.38% at December 31, 1998 and 7.75% to 16.00% at December 31, 1997. At December 31, 1998, the Company had no outstanding commitments to sell loans on a nonrecourse basis and $16.2 million at December 31, 1997.

The Company has entered into loan sale agreements with investors in the normal course of business which include standard representations and warranties customary to the mortgage banking industry. Violations of these representations and warranties may require the Company to repurchase loans previously sold or to reimburse investors for losses incurred. In addition, the Company may commit to repurchase or substitute a loan if a payment default occurs within the first month following the date the loan is funded, unless other arrangements are made between the Company and the purchaser. In the opinion of management, the potential exposure related to the Company's loan sale agreements will not have a material effect on the financial position and operating results of the Company.

The Company is involved in various claims or legal actions arising in the normal course of business. In the opinion of management, the ultimate disposition of such matters will not have a material effect on the financial position and operating results of the Company.

15. NOTES PAYABLE, RESTRICTION ON DIVIDEND PAYMENTS AND PLEDGE OF BANK STOCK.

In accordance with Federal Regulation 12 CFR 563.134, federal savings banks which meet fully phased-in capital requirements may distribute dividends up to 100% of their net income to date plus the amount that would reduce by one-half their surplus capital ratio at the beginning of the calendar year. The Bank exceeds the fully phased-in capital requirements. In connection with the April 29, 1994 purchase of assets and assumption of certain liabilities from the RTC, the Bank and the Company, entered into a five year Interim Capital Assistance Loan Agreement ("ICA") with the RTC (the Bank is not a direct or indirect obligor, or a guarantor of the loan) for $6.9 million at a fixed interest rate of 3.69% for two years and 0.125% above the 13-week Treasury Bill auction rate for the remaining three years, adjusted annually. On September 9, 1994, the Bank acquired deposits from the RTC totaling approximately $65 million located in Panorama City in Southern California. This branch is located in a "Predominately Minority Neighborhood," as defined by the RTC. In connection with this acquisition, the RTC provided PAFI, $4.0 million in the form of an additional ICA loan for a term of five years with interest at 0.125% above the 13 week Treasury Bill auction rate, adjusted quarterly. The entire amount was invested in the Bank and qualifies as regulatory capital for the Bank. In addition, the OTS required $750,000 of additional capital from the shareholders to be invested in the Bank in connection with the Panorama City branch acquisition.

These Agreements, as amended, provide among other things, that the Bank may not declare or pay any dividends until the loan is repaid by the Company. Dividends may be paid to the Company if the funds are used exclusively for payment of principal or interest on the obligation of PAFI to the RTC or the Bank has provided the FDIC with 30 days prior written notice of its intent to declare or pay such dividends and the Bank is in compliance with certain conditions as required under the Agreements. The stock of the Bank was pledged by PAFI to the RTC as collateral for the loan.

16. STOCK OPTIONS

In 1994, the Company adopted a stock option plan and, in November 1997, amended and restated such plan as the United PanAm Financial Corp. 1997 Employee Stock Incentive Plan (the "Plan"). The maximum number of shares that may be issued to officers, directors, employees or consultants under the Plan is 2,287,500. Options issued pursuant to the Plan have been granted at an exercise price of not less than fair market value on the date of grant. Options generally vest over a three to five year period and have a maximum term of ten years.

Stock option activity is as follows:

(Dollars in thousands, except per share amounts)

<TABLE>
<CAPTION>

	Years Ended December 31,					
	Shares 1998	Weighted Average Exercise Price	Shares 1997	Weighted Average Exercise Price	Shares 1996	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at beginning of year	1,580,000	$ 4.55	1,143,750	$0.80	900,000	$0.80
Granted	350,000	9.82	717,500	9.06	243,750	.80
Canceled or expired	(10,000)	(10.50)	--	--	--	--
Exercised	(100,000)	(0.80)	(281,250)	0.80	--	--
Balance at end of year	1,820,000	$ 5.74	1,580,000	$4.55	1,143,750	$0.80
Weighted average fair value per share of options granted during the year	$ 5.62		$ 2.61		$ 0.23	

</TABLE>

Shares exercised in 1997 were executed by a shareholder and officer of the Company. In connection with this transaction, the Company loaned this individual $225,000 to finance the exercise of these options which loan is secured by the shares purchased. The loan bears interest at an annual rate of 5.81% payable on the earlier of October 15, 2000 or the termination of this individual's employment with the Company.

During 1998, 147,500 shares of restricted stock were granted to certain key employees. The weighted average market value per share of the restricted stock at the grant date was $5.00. The restricted stock vests 20% in 1999, 20% in 2000, 30% in 2001, and 30% in 2002.

The Company applies APB Opinion No. 25 in accounting for the Plan. Compensation expense related to this stock compensation plan was $60,000 in 1998. During 1997 and 1996, no compensation expense was recorded for the Plan. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," the Company's net income and earnings per share would have been reduced to the pro-forma amounts indicated below for the years ended December 31:

<TABLE>
<CAPTION>

	Years Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Net income to common shareholders:			
As reported	$6,763	$6,248	$ 950
Pro-forma	$6,334	$6,031	$ 942
Earnings per share:			
As reported basic	$ 0.44	$ 0.58	$0.09
As reported diluted	$ 0.41	$ 0.53	$0.09
Pro-forma basic	$ 0.42	$ 0.56	$0.09
Pro-forma diluted	$ 0.39	$ 0.51	$0.09

</TABLE>

The fair value of options and restricted stock granted under the Plan was estimated on the date of grant using the Black-Sholes option-pricing model with the following weighted average assumptions used: no dividend yield, 61% volatility in 1998 and zero volatility in 1997 and 1996, risk-free interest rate of 7% and expected lives of 5 years.

At December 31, 1998, options exercisable to purchase 1,124,000 shares of the Company's common stock under the Plan were outstanding as follows:

<TABLE>
<CAPTION>

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares	Expiration Date	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
$0.80 - $1.33	875,000	2006	$ 0.87	823,000	$ 0.87
$4.75	70,000	2008	4.75	--	--
$10.50-$12.10	875,000	2008	10.69	301,000	10.50
	1,820,000		$ 5.74	1,124,000	$ 3.73

</TABLE>

The Company's auto finance subsidiary has granted options to certain of its key employees to purchase up to 15.0% of that subsidiary. These options vest over a five year period and are exercisable at a predetermined price which increases each year.

17. 401(k) PLAN

The Company maintains the Pan American Bank, FSB 401(k) Profit Sharing Plan (the "401(k) Plan") for the benefit of all eligible employees of the Company. Under the 401(k) Plan, employees may contribute up to 15% of their pre-tax salary or the annual dollar limit of $10,000 for 1998. The Company will match, at its discretion, 50% of the amount contributed by the employee up to a maximum of 6% of the employee's salary. The contributions made by the Company in 1998 were $402,000. There were no contributions made by the Company in 1997 and 1996.

18. OTHER EXPENSES

Other expenses are comprised of the following:

<TABLE>
<CAPTION>

(Dollars in thousands)	1998	1997	1996
Marketing	$ 3,624	$1,740	$ 171
Forms, supplies, postage and delivery	2,226	1,301	384
Telephone	1,707	921	185
Professional fees	1,790	788	339
Travel and entertainment	1,644	885	170
Loan servicing expense	1,344	349	168
Data processing	978	529	364
Deposit insurance premiums	156	309	371
Insurance premiums	590	253	93
Loan expenses	963	476	168
Amortization of intangible assets	239	127	132
Office closure expense	800	--	--
Other	1,208	470	227
Total	$17,269	$8,148	$2,772

(YEARS ENDED DECEMBER 31,)

</TABLE>

The expense for office facilities closed represents the net present value of future lease obligations net of expected sublease income related to five real estate lending branch offices that were closed during the fourth quarter of 1998.

19. EARNINGS PER SHARE

On December 31, 1997, the Company adopted SFAS 128 for calculating earnings per share as shown below:

<TABLE>
<CAPTION>

	Years Ended December 31,		
(Dollars in thousands, except per share amounts)	1998	1997	1996
Earnings per share basic			
Net income applicable to common stock	$ 6,763	$ 6,248	$ 950
Average common shares outstanding	15,263	10,739	10,669
Per share	$ 0.44	$ 0.58	$ 0.09
Earnings per share diluted:			
Net income	$ 6,763	$ 6,248	$ 950
Average common shares outstanding	15,263	10,739	10,669
Add: Stock options	880	1,136	--
Average common shares outstanding diluted	16,143	11,875	10,669
Per share	$ 0.42	$ 0.53	$ 0.09

</TABLE>

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of the Company's financial instruments are as follows at the dates indicated:

<TABLE>
<CAPTION>

	December 31, 1998		December 31, 1997	
(Dollars in thousands)	Carrying Value	Fair Value Estimate	Carrying Value	Fair Value Estimate
Assets:				
Cash and cash equivalents	$ 52,211	$ 52,211	$ 19,026	$ 19,026
Securities	--	--	1,002	1,002

Residual interests in securitizations	--	--	8,230	8,230
Loans, net	133,718	133,718	148,535	161,324
Loans held for sale	214,406	220,431	120,002	126,782
Federal Home Loan Bank Stock	2,120	2,120	1,945	1,945
Accrued interest	2,034	2,034	1,494	1,494
Liabilities:				
Deposits	321,668	322,724	$233,194	$233,538
Notes payable	10,930	10,930	12,930	12,930
Federal Home Loan Bank advances	--	--	28,000	28,000
Warehouse lines of credit	--	--	6,237	6,237

</TABLE>

The following summary presents a description of the methodologies and assumptions used to estimate the fair value of the Company's financial instruments. Because no ready market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Cash and cash equivalents: Cash and cash equivalents are valued at their carrying amounts included in the consolidated statements of financial condition, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments.

Securities: Securities are valued at quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Residual interests in securitizations: The fair value of residual interests in securitizations is determined by discounting the estimated cash flows received over the life of the asset using prepayment, default, and interest rate assumptions that market participants would use for similar financial instruments also subject to prepayment, credit and interest rate risk.

Loans, net: For real estate loans, fair values were estimated using quoted prices for equivalent yielding loans as adjusted for interest rates, margin differences and other factors. For non-mortgage loans, fair values, were estimated at carrying amounts due to their short-term maturity and portfolio interest rates that are equivalent to present market interest rates.

Loans held for sale: The fair value of loans held for sale is based on current pricing of whole loan transactions that a purchaser unrelated to the seller would demand for a similar loan.

Federal Home Loan Bank stock: Since no secondary market exists for FHLB stock and the stock is bought and sold at par by the FHLB, fair value of these financial instruments approximates the carrying value.

Accrued interest: The carrying amounts of accrued interest approximate their fair values.

Deposits: The fair values of demand deposits, passbook accounts, money market accounts, and other deposits immediately withdrawable, by definition, approximate carrying values for the respective financial

instruments. For fixed maturity deposits, the fair value was estimated by discounting expected cash flows by the current offering rates of deposits with similar terms and maturities.

Federal Home Loan Bank advances: The fair value of FHLB advances are valued at their carrying amounts included in the consolidated statements of financial condition, which are reasonable estimates of fair value due to the relatively short period to maturity of the advances.

Notes payable: The fair value of notes payable is considered to approximate carrying value as their note rates are consistent with present market rates.

Warehouse lines of credit: The fair value of the warehouse lines of credit is considered to approximate carrying value as the note rate is consistent with present market rates.

Financial instruments with off-balance sheet risk: No fair value is ascribed to the Company's outstanding commitments to fund loans since commitment fees are not significant and predominantly all such commitments are variable-rate loan commitments. There were no significant unrealized gains and losses on commitments to sell loans.

21. OPERATING SEGMENTS

In June 1997, the FASB issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information" ("SFAS 131"), which establishes standards for the way that public business enterprises are to report information about operating segments in annual financial statements and requires those enterprises to report selected information about operating segments in interim financial reports issued to shareholders. Effective January 1, 1998, the Company adopted SFAS 131 and is reporting on its operating segments as follows:

The Company has four reportable segments: mortgage finance, auto finance, insurance premium finance and banking. The mortgage finance segment originates and sells or securitizes subprime mortgage loans collateralized primarily by first mortgages on single family residences. The auto finance segment acquires, holds for investment and services subprime retail automobile installment sales contracts generated by franchised and independent dealers of used automobiles. The insurance premium finance segment, through a joint venture, underwrites and finances automobile and commercial insurance premiums in California. The banking segment operates a five-branch federal savings bank and is the principal funding source for the Company's mortgage, auto and insurance premium finance segments.

The accounting policies of the segments are the same as those described in the Company's summary of significant accounting policies except for (i) funds provided by the banking segment to the other operating segments which are accounted for at a predetermined transfer price (including certain overhead costs) and (ii) an allocation between the mortgage finance and banking segments representing a cost reimbursement for services provided by the banking segment to the mortgage finance segment.

The Company's reportable segments are strategic business units that offer different products and services. The are managed and reported upon separately within the Company.

At or For Year Ended December 31, 1998

<TABLE>
<CAPTION>

	Mortgage Finance	Auto Finance	Insurance Premium Finance	Banking	Total
<S>	<C>	<C>	<C>	<C>	<C>
Net interest income	$ 5,009	$ 8,498	$ 3,035	$ 9,557	$ 26,099
Provision for loan losses	5,560	--	293	--	5,853
Non-interest income	49,154	104	410	3,198	52,866
Non-interest expense	46,957	6,276	386	7,739	61,358
Segment profit (pre-tax)	$ 1,646	$ 2,326	$ 2,766	$ 5,016	$ 11,754
Loans	$208,850	$62,392	$44,360	$32,522	$348,124
Allowance for loan losses	4,838	4,138	349	858	10,183

At or For Year Ended December 31, 1997

	Mortgage Finance	Auto Finance	Insurance Premium Finance	Banking	Total
Net interest income	$ 1,814	$ 3,370	$ 2,978	$ 5,938	$ 14,100
Provision for loan losses	--	350	(85)	242	507
Non-interest income	26,526	27	190	1,085	27,828
Non-interest expense	20,578	3,487	275	6,342	30,682
Segment profit (loss) (pre-tax)	$ 7,762	$ (440)	$ 2,978	$ 439	$ 10,739
Loans	$124,144	$39,540	$28,501	$76,352	$268,537
Allowance for loan losses	1,823	1,791	450	2,423	6,487

At or For Year Ended December 31, 1996

Insurance

	Mortgage Finance	Auto Finance	Premium Finance	Banking	Total
Net interest income	$ 411	$ 521	$ 1,700	$ 6,076	$ 8,708
Provision for loan losses	--	--	194	--	194
Non-interest income	2,352	--	271	153	2,776
Non-interest expense	2,620	1,135	265	5,629	9,649
Segment profit (pre-tax)	$ 143	$ (614)	$ 1,512	$ 600	$ 1,641
Loans	$ 20,766	$ 7,367	$31,683	$95,771	$155,587
Allowance for loan losses	100	192	375	4,689	5,356

</TABLE>

For the reportable segment information presented, there are no reconciling items between the Company's consolidated results and segment net interest income, segment assets and segment profit. Substantially all expenses are recorded directly to each industry segment. Segment non-interest income and non-interest expense differ from the consolidated results due to an inter-segment cost reimbursement in 1998 and 1997 as follows:

<TABLE>
<CAPTION>

	Year Ended December 31,	
	1998	1997
<S>	<C>	<C>
Non-interest income for reportable segments	$52,866	$27,828
Inter-segment cost reimbursement	(1,800)	(600)
Consolidated non-interest income	$51,066	$27,228
Non-interest expense for reportable segments	$61,358	$30,682
Inter-segment cost reimbursement	(1,800)	(600)
Consolidated non-interest expense	$59,558	$30,082

</TABLE>

22. HOLDING COMPANY FINANCIAL INFORMATION

Following are the financial statements of United PanAm Financial Corp. (holding company only):

<TABLE>
<CAPTION>

(Dollars in thousands)	December 31, 1998	December 31, 1997
<S>	<C>	<C>
STATEMENTS OF FINANCIAL CONDITION		
Cash	$ 178	$ 290
Note receivable from affiliate	58,138	--
Other assets	1,965	297
Investment in subsidiaries	23,050	14,696
Total assets	$83,331	$15,283
Notes payable	--	2,000
Other liabilities	418	274
Total liabilities	418	2,274
Shareholders' equity	82,913	13,009
Total liabilities and shareholders' equity	$83,331	$15,283

</TABLE>

<TABLE>
<CAPTION>

	Years Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>

STATEMENTS OF OPERATIONS

Equity in income of subsidiaries	$ 6,155	$ 6,294	$ 952
Interest income	1,779	11	1
Total income	7,934	6,305	953
Interest expense	47	74	--
Other expense	679	25	4
Total expense	726	99	4
Income before income taxes	7,208	6,206	949
Income taxes (benefit)	445	(42)	(1)
Net income	$ 6,763	$ 6,248	$ 950

STATEMENTS OF CASH FLOWS

Cash flows from operating activities:			
Net income	$ 6,763	$ 6,248	$ 950
Equity in earnings of subsidiaries	(6,155)	(6,294)	(952)
Increase in accrued interest receivable	(1,767)	--	--
(Increase) decrease in other assets	100	(268)	7
Increase in other liabilities	144	274	--
Other, net	140	--	--
Net cash provided by (used in) operating activities	(775)	(40)	5
Cash flows from financing activities:			
Issuance of common stock	63,001	--	--
Issuance of note to subsidiary	(58,138)	--	--
Capital contributed to subsidiary	(2,200)	(1,702)	--
Increase (decrease) in notes payable to shareholders	(2,000)	2,000	--
Net cash provided by financing activities	663	298	--
Net increase (decrease) in cash and cash equivalents	(112)	258	5
Cash and cash equivalents at beginning of period	290	32	27
Cash and cash equivalents at end of period	$ 178	$ 290	$ 32

</TABLE>

23. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)	THREE MONTHS ENDED			
1998:	MARCH 31, 1998	JUNE 30, 1998	SEPTEMBER 30, 1998	DECEMBER 31, 1998
<S>	<C>	<C>	<C>	<C>
Net interest income	$ 5,249	$ 6,913	$ 6,996	$ 6,942
Provision for loan losses	38	1,085	661	4,069
Non-interest income	10,098	17,533	17,310	6,125
Non-interest expense	12,797	15,967	15,642	15,152
Income (loss) before income taxes	2,512	7,394	8,003	(6,154)
Income taxes (benefit)	1,059	3,181	3,333	(2,581)
Net income (loss)	$ 1,453	$ 4,213	$ 4,670	$(3,573)
Earnings (loss) per share - basic	$ 0.13	$ 0.27	$ 0.27	$ (0.21)
Earnings (loss) per share - diluted	$ 0.12	$ 0.26	$ 0.26	$ (0.21)

	THREE MONTHS ENDED			
1997:	MARCH 31, 1997	JUNE 30, 1997	SEPTEMBER 30, 1997	DECEMBER 31, 1997

Net interest income	$ 2,766	$ 3,511	$ 3,844	$ 3,979
Provision for loan losses	94	285	66	62
Non-interest income	2,523	4,876	8,384	11,445
Non-interest expense	4,800	6,496	7,989	10,797
Income before income taxes	395	1,606	4,173	4,565
Income taxes	162	666	1,752	1,911
Net income	$ 233	$ 940	$ 2,421	$ 2,654
Earnings per share - basic	$ 0.02	$ 0.09	$ 0.23	$ 0.24
Earnings per share - diluted	$ 0.02	$ 0.08	$ 0.21	$ 0.22

</TABLE>

EXHIBIT 10.92

AGREEMENT

This Agreement is made as of November 5,1999, by and between BPN Corporation ("BPN") and Pan American Bank, FSB ("PAB").

RECITALS

A. BPN is a party to that certain Consulting Agreement and related License Agreement, dated March 3,1997, between BPN and Dulcian, Inc., a copy of which is attached hereto as Schedule A (the "Dulcian Agreements").

B. Dulcian has developed for BPN certain software applications under the Dulcian Agreements for use by BPN in connection with the management of the insurance premium finance business of BPN and PAB.

C. The parties hereto wish to specify the terms on which PAB shall acquire an interest in all rights and interests of BPN arising under the Dulcian Agreements, and will reimburse BPN for a portion of the costs incurred by BPN in connection with the development of the application software under the Dulcian Agreement.

NOW, THEREFORE, the parties agree as follows:

1. BPN hereby assigns to PAB a 50% interest in and to all application software and other property developed under the Dulcian Agreements in which BPN has acquired an interest pursuant to the terms of the Dulcian Agreements, including, without limitation, all proceeds of future licensing or other exploitation of such interests (the "Property").

2. In consideration of the assignment of a 50% interest in the Property from BPN hereunder, PAB agrees to pay to BPN 50% of the total funds expended by BPN in performing its obligations to Dulcian under the Dulcian Agreements, and related hardware, subject to a cap of $175,000.00 on the amount of PAB's contribution. Upon execution of this Agreement, PAB shall advance to BPN the sum of $175,000.00 representing the maximum reimbursement of expenses to BPN hereunder. Not later than November 30, 1998, BPN shall provide PAB with a final accounting of all expenses incurred or committed under the Dulcian Agreements by BPN, with appropriate invoices and such other documentation as PAB may reasonably require. In the event the total expenses incurred by BPN, as evidenced by such accounting, are less than $350,000.00, BPN shall reimburse PAB to the extent of 50% of the difference between $350,000.00 and the expenses

actually incurred.

3. BPN and PAB shall have equal rights to use and consent to the use of the Property. All licenses, sublicenses or other use of the Property, other than in connection

with the management of the insurance premium financing business conducted by PAB and BPN, shall be subject to the prior approval of BPN and PAB. PAB and BPN shall each be entitled to one half of the net revenues derived from any exploitation of the Property other than in connection with the insurance premium financing business of PAB and BPN, which will continue to be governed by the terms of the Insurance Premium Financing Management Agreement dated May 17, 1995 between BPN and PAB.

Executed as of November 5, 1998.

BPN Corporation

By: /s/ Peter A. Walski

____

Peter A. Walski
Title: President

____

By: /s/ Cornelius J. O'Shea

____

Cornelius J. O'Shea
Title: V.P.

____

Pan American Bank, FSB

By: /s/ Lawrence J. Grill

____

Lawrence Grill, President

EXHIBIT 10.93

LOAN AND STOCK PLEDGE AGREEMENT

This Loan and Stock Pledge Agreement the ("Agreement") is made and executed as of November 5, 1998 by and among Barbara R. Walski, Peter A. Walski and The Walski Family Trust u/d/t/ dated August 30, 1989 (collectively, "Pledgor"), BPN Corporation, a California corporation ("BPN") and Pan American Bank, FSB ("Lender").

RECITALS

A. The Walski Family Trust u/d/t dated August 30, 1989 (the "Trust") is the owner of 650 shares of the common stock (the "Shares") of BPN. Barbara R. Walski and Peter A. Walski are the sole trustees and lifetime beneficiaries of the Trust.

B. BPN is a party to an agreement for Purchase of Assets dated November 5, 1998 (the "Asset Purchase Agreement") under which BPN and Lender are purchasing certain assets ("Assets") from Norwest Financial Coast, Inc.

C. The parties hereto desire to specify their agreement respecting the acquisition of the Assets under the Asset Purchase Agreement and of certain financing to be provided to Pledgor in connection therewith.

NOW, therefore, the parties agree as follows:

1. <u>Asset Purchase Agreement</u>. BPN shall pay $1,200,000 and Lender shall pay $1,800,000 of the total $3,000,000 acquisition price for the Assets. Lender shall have the exclusive right to finance insurance premium finance receivables ("IPF Loans") generated through the exploitation of the Assets under the terms of the Insurance Premium Financing Management Agreement (the "IPF Agreement") dated May 17, 1995 between Lender and BPN, which right shall not be subject to termination under such agreement. The IPF Agreement shall otherwise govern exploitation of the Assets by BPN and Lender. In addition, Lender has agreed to pay a total of $25,000 to BPN to defer expenses to be incurred by BPN in connection with taking over the business included as part of the Assets and handling the IPF Loans generated thereby (the "Expense Reimbursement"), which shall be credited pro rata against the initial principal repayment obligation of Pledgor hereunder and of Cornelius J. O'Shea ("O'Shea") under a $420,000.00 promissory note of O'Shea evidencing credit extended by Lender to O'Shea in connection with the acquisition of the Assets (the "O'Shea Note"). Upon the crediting of the Expense Reimbursement to the Note and O'Shea Note,

Lender shall have no obligation to fund the Expense Reimbursement. All other such expenses shall be paid by BPN.

2. Loan; Initial Payment. Pledgor has agreed to borrow, and Lender has agreed to loan to Pledgor the sum of $780,000.00, to be used by Pledgor solely for the purpose of funding the payment to be made by BPN to acquire the Assets under the Asset Purchase Agreement (the "Loan"). The Loan is evidenced by this Agreement and a Promissory Note (the "Note") of even date. This Agreement, the Note and any and all documents and instruments now or hereafter

executed and evidencing the Loan or any security therefore are referred to herein as the "Loan Documents". Immediately following funding of the Loan, Pledgor shall pay $130,000.00 to Lender as a payment of principal. There shall be credited against such payment the sum of $16,250. 00, representing 65 % of the amount of the Expense Reimbursement.

3. Security. Pledgor hereby assigns, grants, pledges and transfers to Lender, a security interest in and lien upon all Collateral (as defined in paragraph 4) as security for the payment and performance of any and all of the following obligations and liabilities ("Obligations") of Pledgor owing to Lender: (i) payment of all of the indebtedness evidenced by the Note in the face amount of $780,000.00, executed by Pledgor in favor of the Lender; (ii) payment and performance of all existing and future indebtedness and obligations of the Pledgor to the Lender under the Loan Documents; and (iii) any and all amendments, modifications, renewals and/or extensions of any of the foregoing, including, but not limited to amendments, modifications, renewals or extensions which are evidenced by new or additional instruments, documents or agreements or which change the rate of interest on any indebtedness or obligations secured hereby. The term "Obligations" as used herein is intended to mean Obligations in its most comprehensive sense and includes all present and future indebtedness, liabilities, undertakings, covenants and other obligations of Pledgor, whether voluntary or involuntary, absolute or contingent, liquidated or unliquidated, determined or undetermined, earned or unearned, and due or not due.

4. Collateral. Pledgor hereby assigns, grants, pledges and transfers to Lender, as security for the payment and performance of the Obligations described in paragraph 2 above, a security interest in, and lien upon all of Pledgor's right, title and interest in and to the following:

(a) the Shares;

(b) all options or warrants for the purchase of additional Shares and all rights represented thereby held by Pledgor if any (the "Options");

(c) stock powers ("Powers") duly executed in blank, with such signatures properly guaranteed covering all of the Shares; and

(d) the proceeds of each of the foregoing including, without limitation any and all dividends, cash, instruments and other property from time to time received, receivable, or otherwise distributed in respect of or in exchange for any of the Shares or Options (the "Proceeds") (The Shares, the Options, the Powers, and the Proceeds shall be collectively referred to as the "Collateral").

5. Delivery. Concurrent with the execution hereof, Pledgor has delivered Certificate(s) No(s). 5, representing all of the Shares to Lender together with related Powers or endorsements, to be held pursuant to the terms hereof for the benefit of Lender.

6. Lender's Duties. Lender shall have no duty with respect to the Collateral other than the duty to use reasonable care if it is in its possession. Without limiting the generality

of the foregoing, Lender shall be under no obligation to take any steps necessary to preserve rights in the Collateral against any other parties, to sell same if it threatens to decline in value, or to exercise any rights represented thereby.

7. Voting Rights; Dividends; Etc. During the term of this Agreement and as long as no Event of Default, as defined herein shall have occurred and be continuing:

(a) Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Shares or any part thereof for any purpose not inconsistent with the terms of this Agreement or the other Loan Documents.

(b) Pledgor shall be entitled to receive and retain any and all dividends and distributions paid in respect of the Shares; provided, however, that any and all

(i) dividends and distributions paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Shares,

(ii) dividends and distributions paid or payable in cash in respect of any Shares in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in surplus, and

(iii) cash paid with respect to, payable or otherwise distributed on redemption of, or in exchange for, or upon the sale of any Shares, shall be forthwith delivered to Lender to hold as Collateral and shall, if received by Pledgor, be received in trust for the benefit of Lender, be segregated from the other property or funds of Pledgor, and be forthwith delivered to Lender as Collateral in the same form as so received (with any necessary endorsement).

(c) Lender shall execute and deliver (or cause to be executed and delivered) to Pledgor all such proxies and other instruments as Pledgor may reasonably request for the purpose of enabling Pledgor to exercise those voting and other rights which it is entitled to exercise pursuant to paragraph 7(a) above and to receive those dividends or distributions which it is authorized to receive and retain pursuant to paragraph 7(b) above.

(d) If an Event of Default shall have occurred and be continuing and any amounts shall be due and payable (whether by acceleration, maturity, or otherwise) under any of the Obligations, all rights of Pledgor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to this paragraph 7 and to receive the dividends and distributions which it would otherwise be authorized to receive and retain pursuant to this paragraph shall, at Lender's option, cease, and all such rights shall, at Lender's option, thereupon become vested in Lender so long as an Event of Default shall continue, and Lender shall, at its option, thereupon have the sole right to exercise such voting and other consensual rights and to receive and hold as Collateral such dividends and interest payments.

8. Representations. Pledgor warrants, represents and covenants, and to the extent expressly mentioned below, BPN warrants, represents and covenants that:

(a) There are no restrictions upon the transfer of any of the Collateral and Pledgor has the right to pledge and grant a security interest in or otherwise transfer such Collateral free of any encumbrances or rights of third parties, except for the rights of United PanAm Financial Corp., f/k/a Pan American Group, Inc. ("UPFC"), under that certain Stock Option Agreement dated May 17, 1995, as amended, between UPFC, Pledgor, BPN and O'Shea. Pledgor and BPN hereby waive any rights that Pledgor or BPN may have under the Stock Redemption Agreement between BPN, Pledgor and O'Shea dated August 25, 1990 (the "Stock Redemption Agreement") to the extent such rights would hinder or impede Lender's right to dispose of the Collateral, and further agree that Lender may, upon foreclosure and sale of its Collateral or acceptance thereof in lieu of sale or foreclosure, dispose of the Shares free and clear of any restriction or rights of any third party arising under the Stock Redemption Agreement.

(b) All of the Collateral is and shall remain free from all liens, claims, encumbrances, and purchase money or other security interests. Pledgor shall not, without Lender's prior written consent, sell, transfer or otherwise dispose of any or all of the Collateral.

(c) This Agreement, and the delivery to Lender of the certificates representing the Shares, creates a valid and perfected security interest in the Collateral in favor of Lender, and all actions necessary or desirable to such perfection have been duly taken.

(d) No authorization or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for the grant by Pledgor of the security interest granted hereby or for the execution, delivery or performance of this Agreement by Pledgor; (ii) for the perfection of or exercise by Lender of its rights and remedies hereunder; or (iii) for the exercise by Lender of the voting or other rights provided for in this Agreement or the remedies in respect of the Shares pursuant to this Agreement (except as may be required in connection with a disposition of the Shares by laws affecting the offering and sale of securities generally).

(e) Pledgor has made its own arrangements for keeping informed of changes or potential changes affecting the Collateral (including, but not limited to, rights to convert, rights to subscribe, payment of dividends, reorganization or other exchanges, tender offers and voting rights) and Pledgor agrees that Lender shall have no responsibility or liability for informing Pledgor of any such changes or potential changes or for taking any action or omitting to take any action with respect thereto.

(f) The Shares and any shares owned by O'Shea and pledged to Lender represent, and will at all times represent, all of the issued and outstanding shares of capital stock of BPN. Pledgor and BPN agree that no additional Shares shall be issued except to Lender without Lender's written prior approval.

(g) Pledgor and BPN represent that there are and will be no options, warrants or other rights to acquire capital stock of BPN outstanding other than the option of UPFC under the Stock Option Agreement.

(h) Pledgor and BPN represent, warrant and covenant that all of the outstanding Shares have been duly and validly issued by BPN and they are fully paid and nonassessable.

(i) Pledgor represents that Barbara R. Walski and Peter A. Walski constitute the sole trustees and lifetime beneficiaries of the Trust, that they have the full power and authority to execute all Loan Documents on behalf of the Trust, that the Trust is not restricted from entering into and performing its obligations under the Loan Documents, and that Lender has been delivered a true and correct copy of the Trust as amended to date.

(j) The financial statements of Pledgor and BPN provided and to be provided to Lender in connection with the Loan fairly represent the financial condition, operation and income of such persons as of the date covered thereby.

9. Additional Covenants. Pledgor and BPN covenant and agree that:

(a) BPN will not incur any indebtedness other than for trade payables incurred for goods and services acquired or utilized in the ordinary course of business and paid within 90 days, or guaranty or pledge any assets to secure any indebtedness of any other person, and any obligation to repay Pledgor and O'Shea any funds advanced to BPN from the proceeds of the Note and the O'Shea Note.

(b) Lender may collect all Loan payments, when due, by directly debiting amounts otherwise due BPN from Lender under the IPF Agreement.

(c) BPN and each party comprising Pledgor shall provide Lender annually with financial statements in form satisfactory to Lender and copies of all federal and state income tax returns filed by them.

(d) BPN and Pledgor have materially benefitted from the proceeds of the Loan, and Lender would not extend such credit without BPN's and Pledgor's agreement to the terms of this Agreement, including specifically this paragraph 9.

10. Share Adjustment. In the event that during the term of this Agreement, any reclassification, readjustment or other change is declared or made in the capital structure of BPN, or any Option is exercised, all new substituted and additional shares, options, or other securities, issued, or issuable, to Pledgor by reason of any such change or exercise shall be delivered to and held by Lender under the terms of this Agreement in the same manner as the collateral originally pledged hereunder.

11. Warrants. In the event that during the term of this Agreement, subscription warrants or any other rights or options shall be issued or exercised in connection with the Collateral, such warrants, rights and options acquired by Pledgor shall be immediately assigned by Pledgor to Lender and all new stock or other securities so acquired by Pledgor shall also be immediately assigned to Lender to be held under the terms of this Agreement in the same manner as the Collateral originally pledged hereunder.

12. Consent. Pledgor hereby consents that, from time-to-time, before or after the occurrence or existence of any Event of Default, with or without notice to or assent from Pledgor, any other security at any time held by or

available to Lender for any of the Obligations or any other security at any time held by or available to Lender of any other person, firm or corporation secondarily or otherwise liable for any of the Obligations, may be exchanged, surrendered, or released and any of the Obligations may be changed, altered, renewed, extended, continued, surrendered, compromised, waived or released, in whole or in part, as Lender may see fit, and Pledgor shall remain bound under this Agreement notwithstanding any such exchange, surrender, release, alteration, renewal, extension, continuance, compromise, waiver or inaction, or extension of further credit.

13. Events of Default. The Lender may exercise the remedies held by the Lender under this Agreement and other Loan Documents if any of the following events (an "Event of Default") occur and are not remedied by the defaulting party or waived in writing by the Lender.

(a) The nonpayment, within five (5) days of the date when due, of any installment of interest or principal owing under the Note or of any other amount payable to the Lender under the terms of the Loan Documents.

(b) The failure by the Pledgor or BPN to perform or observe any representation, warranty or agreement contained in any of the Loan Documents, which shall continue for a period of thirty (30) days after the Pledgor or BPN become aware thereof, except that any obligations related to the payment of money shall have no grace period except as otherwise expressly provided in paragraph 13(a) hereof.

(c) The existence for a period of thirty (30) days of any lien other than liens created by the Loan Documents or permitted hereunder covering all or any portion of the Collateral, unless the validity thereof is being contested in good faith by the Pledgor.

(d) Any representation, statement, certificate, schedule or report made or furnished to the Lender by or on behalf of the Pledgor or BPN proves to be false or erroneous in any material respect at the time of the making thereof or any representation or warranty contained in the Loan Documents ceases to be complied with in any material respect.

(e) The insolvency (meaning an inability to pay debts as the same become due or the existence of liabilities in excess of assets) of any of the parties comprising Pledgor or

BPN, or the institution of bankruptcy, reorganization, liquidation, receivership or conservatorship proceeding by or against any of the parties comprising Pledgor or BPN.

(f) The default in payment or acceleration of the maturity of any indebtedness any of the parties comprising Pledgor or BPN owing to any other person.

(g) For any reason after execution and delivery thereof, any document delivered pursuant hereto that creates, or was intended to create, a security interest or to provide collateral security for indebtedness created hereunder ceases to be in full force and effect, or the liens intended to be created thereby cease to be or are not valid and perfected first liens, subject to no other liens.

14. Remedies Upon Default. Upon the occurrence of an Event of Default, Lender shall have, in addition to any other rights given by law or the rights hereunder, all of the rights and remedies with respect to the Collateral of a secured party under the California Uniform Commercial Code.

In addition, with respect to the Collateral, or any part thereof, Lender may sell or cause the same to be sold at any public or private sale, in one or more sales or lots, at such price as Lender may deem best, and for cash or on credit or for future delivery, without assumption of any credit risk, and the purchaser of any or all of the Collateral so sold shall thereafter hold the same absolutely, free from any claim, encumbrance or right of any kind whatsoever.

Any sale of the Collateral conducted in conformity with reasonable commercial practices of banks, insurance companies or other financial institutions disposing of property similar to the Collateral shall be deemed to be commercially reasonable. Any requirements of reasonable notice shall be met if such notice is mailed to Pledgor, at the address set forth in this Agreement, at least ten (10) calendar days before the time of the sale or disposition. Any other retirement of notice, demand or advertisement for sale, is, to the extent permitted by law, waived.

Lender may, in its own name, or in the name of a designee or nominee, buy at any public sale of the Collateral. Lender shall have the right to execute any document or form, in its name or in the name of the Pledgor, which may be necessary or desirable in connection with such sale of Collateral.

In addition to specific rights provided herein with respect to sales of the Shares, and subject to applicable law, sales of the Collateral may be conducted with or without demand and with or without notice or advertisement, for cash, credit or for future delivery, all as the Lender shall deem appropriate. Without limiting the foregoing, the Lender may (i) approach and negotiate with potential purchasers, and (ii) restrict the prospective bidders or purchasers to persons who will represent and agree that they are purchasing such Collateral for their own account for investment and not with a view to the distribution or resale thereof. In the event any such Collateral is sold at private sale, Pledgor agrees that such sale shall not, by reason merely that it is a private sale subject to the potential restrictions described herein, or that there is a possibility that a substantially higher price might have been realized at a public sale, be deemed to have not been made in a commercially reasonable manner. Pledgor recognizes that no ready market may exist for such Collateral and that a sale by Lender of any such Collateral for an amount substantially less than the value of the Shares may be commercially reasonable in view of the difficulties that may be encountered in attempting to sell securities that are not publicly traded. Upon consummation of any such sale, Lender shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof, the Collateral so sold. Each such purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of the Pledgor. Pledgor hereby waives (to the extent permitted by law) all rights of redemption, stay and/or appraisal which Pledgor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. If any consent, ruling or authorization of any state, municipal or other governmental agency or authority shall be necessary to effectuate any sale or disposition of the Collateral, Pledgor shall execute all such applications and other instruments as may be required in connection with securing any such consent, ruling or authorization and, will otherwise use its best efforts to secure the same. Under no circumstances will Lender be obligated to register any securities under the Securities Act of 1933 or any similar qualification or registration law of any state, unless, in its sole discretion, it shall elect to do so, in which case the cost of such registration and qualification shall become part of the Obligations secured hereby.

15. Lender as Pledgor's Attorney-in-Fact. Pledgor hereby irrevocably appoints Lender as its attorney-in-fact to arrange for the transfer, at any time after the existence or occurrence of an Event of Default, of the Collateral on the books of BPN to the name of Lender or to the name of Lender's nominee.

16. Further Assurances. Pledgor agrees that it will cooperate with Lender and will execute and deliver, or cause to be executed and delivered, all such other stock powers, proxies, instruments, and documents and will take all such other action, as Lender may reasonably request from time to time in order to carry out the provisions and purposes hereof.

17. Attorneys' Fees and Costs. Pledgor hereby agrees to pay all reasonable attorneys' fees and all other costs and expenses which may be incurred by Lender in the enforcement of this Agreement, whether or not suit is brought.

18. Notices. Any notice, demand or communication required or permitted to be given by any provision of the Loan Documents will be in writing and will be deemed to have been given when delivered personally or be telefacsimile, receipt confirmed, to the party designated to receive such notice or on the business date following the day sent by overnight courier or on the third (3rd) business day after the same is sent by certified mail, postage and charges prepaid, directed to the following addresses or to such other or

additional addresses as any party might designate by written notice to the other party:

To Pledgor or BPN: BPN
13750 Pipeline Avenue
Chino, California 91710
Attention: Peter A. Walski
Barbara R. Walski

To Lender: PanAm Bank
1300 S. El Camino Real - Suite 320
San Mateo, CA 94402
Attention: President

19. Choice of Law and Venue. The validity of this Agreement, its construction, interpretation, and enforcement and the rights of the parties hereto shall be determined under the laws of the State of California. The parties agree that all actions or proceedings arising in connection with this Agreement shall be tried and litigated only in the state and federal courts located in the County of Los Angeles, State of California. Each party waives any right it may have to assert the doctrine of forum non conveniens or to object to venue to extent any proceeding is brought in accordance with the terms hereof.

20. General Provisions.

(a) This Agreement shall bind and inure to the benefit of the respective successors and assigns of the parties; provided, however, that Pledgor and BPN may not assign this Agreement or any rights hereunder without Lender's prior written consent and any prohibited assignment shall be absolutely void. No consent to an assignment by Lender shall release Pledgor or BPN from its obligations to Lender hereunder. Lender may assign its rights and duties hereunder. Lender reserves the right to sell, assign, transfer, negotiate, or grant participations in all or any part of, or any interest in rights and benefits hereunder. In connection therewith, Lender may disclose all documents and information which Lender now or hereafter may have relating to Pledgor or Pledgor's business.

(b) Paragraph headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each Paragraph hereof applies equally to this entire Agreement.

(c) Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any party hereto, whether under any rule of construction or otherwise, by virtue of such party's having prepared the same. On the contrary, this Agreement has been reviewed by each of the parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

(d) Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

(e) This Agreement cannot be changed or terminated orally. All prior agreements, understandings, representations, warranties, and negotiations, if any, are merged into this Agreement, the Loan Documents and the other documents and agreements entered into in connection herewith and therewith.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first written.

BPN Corporation

By: /s/ Peter A. Walski
Peter A. Walski
Title: Pres.

By: /s/ Cornelius J. O'Shea
Cornelius J. O'Shea
Title: V.P.

/s/ Barbara R. Walski
Barbara R. Walski

/s/ Peter A. Walski
Peter A. Walski

Pan American Bank, FSB

By: /s/ Lawrence J. Grill
Lawrence Grill, President

THE WALSKI FAMILY TRUST

By: /s/ Peter A. Walski
Peter A. Walski, Trustee

By: /s/ Barbarra R. Walski
Barbarra R. Walski, Trustee

EXHIBIT 10.94

LOAN AND PLEDGE AGREEMENT

This Loan and Stock Pledge Agreement the ("Agreement") is made and executed as of November 5, 1998 by and among Cornelius J. O'Shea and the Cornelius J. O'Shea Living Trust (collectively, "Pledgor"), BPN Corporation, a California corporation ("BPN") and Pan American Bank, FSB ("Lender").

RECITALS

A. The Cornelius J. O'Shea Living Trust ("Trust") is the owner of 350 shares of the common stock (the "Shares") of BPN.

B. BPN is a party to an agreement for Purchase of Assets dated November 5, 1998 (the "Asset Purchase Agreement") under which BPN and Lender are purchasing certain assets ("Assets") from Norwest Financial Coast, Inc.

C. The parties hereto desire to specify their agreement respecting the acquisition of the Assets under the Asset Purchase Agreement and of certain financing to be provided to Pledgor in connection therewith.

NOW, therefore, the parties agree as follows:

1. Asset Purchase Agreement. BPN shall pay $1,200,000 and Lender shall pay $1,800,000 of the total $3,000,000 acquisition price for the Assets. Lender shall have the exclusive right to finance insurance premium finance receivables ("IPF Loans") generated through the exploitation of the Assets under the terms of the Insurance Premium Financing Management Agreement (the "IPF Agreement") dated May 17, 1995 between Lender and BPN, which right shall not be subject to termination under such agreement. The IPF Agreement shall otherwise govern exploitation of the Assets by BPN and Lender. In addition, Lender has agreed to pay a total of $25,000 to BPN to defer expenses to be incurred by BPN in connection with taking over the business included as part of the Assets and handling the IPF Loans generated thereby (the "Expense Reimbursement"), which shall be credited pro rata against the initial principal repayment obligation of Pledgor hereunder and of Peter A. Walski, Barbara R. Walski and The Walski Family Trust (collectively "Walski") under a $780,000.00 promissory note of Walski evidencing credit extended by Lender to Walski in connection with the acquisition of the Assets (the "Walski Note"). Upon the crediting of the Expense Reimbursement to the Note and Walski Note, Lender shall have no obligation to fund the Expense Reimbursement. All other such expenses shall be paid by BPN.

2. Loan; Initial Payment. Pledgor has agreed to borrow, and Lender

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has agreed to loan to Pledgor the sum of $420,000.00, to be used by Pledgor solely for the purpose of funding the payment to be made by BPN to acquire the Assets under the Asset Purchase Agreement (the "Loan"). The Loan is evidenced by this Agreement and a Promissory Note (the "Note") of even date. This Agreement, the Note and any and all documents and instruments now or hereafter executed and evidencing the Loan or any security therefore are referred to herein as the "Loan

Documents". Immediately following funding of the Loan, Pledgor shall pay $70,000.00 to Lender as a payment of principal. There shall be credited against such payment the sum of $8,750.00, representing 35% of the amount of the Expense Reimbursement.

3. Security. Pledgor hereby assigns, grants, pledges and transfers
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to Lender, a security interest in and lien upon all Collateral (as defined in paragraph 4) as security for the payment and performance of any and all of the following obligations and liabilities ("Obligations") of Pledgor owing to Lender: (i) payment of all of the indebtedness evidenced by the Note in the face amount of $420,000.00, executed by Pledgor in favor of the Lender; (ii) payment and performance of all existing and future indebtedness and obligations of the Pledgor to the Lender under the Loan Documents; and (iii) any and all amendments, modifications, renewals and/or extensions of any of the foregoing, including, but not limited to amendments, modifications, renewals or extensions which are evidenced by new or additional instruments, documents or agreements or which change the rate of interest on any indebtedness or obligations secured hereby. The term "Obligations" as used herein is intended to mean Obligations in its most comprehensive sense and includes all present and future indebtedness, liabilities, undertakings, covenants and other obligations of Pledgor, whether voluntary or involuntary, absolute or contingent, liquidated or unliquidated, determined or undetermined, earned or unearned, and due or not due.

4. Collateral. Pledgor hereby assigns, grants, pledges and
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transfers to Lender, as security for the payment and performance of the Obligations described in paragraph 3 above, a security interest in, and lien upon all of Pledgor's right, title and interest in and to the following:

(a) the Shares;

(b) all options or warrants for the purchase of additional Shares and all rights represented thereby held by Pledgor if any (the "Options");

(c) stock powers ("Powers") duly executed in blank, with such signatures properly guaranteed covering all of the Shares; and

(d) the proceeds of each of the foregoing including, without limitation any and all dividends, cash, instruments and other property from time to time received, receivable, or otherwise distributed in respect of or in exchange for any of the Shares or Options (the "Proceeds") (The Shares, the Options, the Powers, and the Proceeds shall be collectively referred to as the "Collateral").

5. Delivery. Concurrent with the execution hereof, Pledgor has delivered Certificate(s) No(s). ____________________, representing all of the Shares to Lender together with related Powers or endorsements, to be held pursuant to the terms hereof for the benefit of Lender.

6. Lender's Duties. Lender shall have no duty with respect to the Collateral other than the duty to use reasonable care if it is in its possession. Without limiting the generality of the foregoing, Lender shall be under no obligation to take any steps necessary to preserve rights

in the Collateral against any other parties, to sell same if it threatens to decline in value, or to exercise any rights represented thereby.

7. Voting Rights; Dividends; Etc. During the term of this Agreement and as long as no Event of Default, as defined herein shall have occurred and be continuing:

(a) Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Shares or any part thereof for any purpose not inconsistent with the terms of this Agreement or the other Loan Documents.

(b) Pledgor shall be entitled to receive and retain any and all dividends and distributions paid in respect of the Shares; provided, however, that any and all

(i) dividends and distributions paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Shares,

(ii) dividends and distributions paid or payable in cash in respect of any Shares in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in surplus, and

(iii) cash paid with respect to, payable or otherwise distributed on redemption of, or in exchange for, or upon the sale of any

Shares, shall be forthwith delivered to Lender to hold as Collateral and shall, if received by Pledgor, be received in trust for the benefit of Lender, be segregated from the other property or funds of Pledgor, and be forthwith delivered to Lender as Collateral in the same form as so received (with any necessary endorsement).

(c) Lender shall execute and deliver (or cause to be executed and delivered) to Pledgor all such proxies and other instruments as Pledgor may reasonably request for the purpose of enabling Pledgor to exercise those voting and other rights which it is entitled to exercise pursuant to paragraph 7(a) above and to receive those dividends or distributions which it is authorized to receive and retain pursuant to paragraph 7(b) above.

(d) If an Event of Default shall have occurred and be continuing and any amounts shall be due and payable (whether by acceleration, maturity, or otherwise) under any of the Obligations, all rights of Pledgor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to this paragraph 7 and to receive the dividends and distributions which it would otherwise be authorized to receive and retain pursuant to this paragraph shall, at Lender's option, cease, and all such rights shall, at Lender's option, thereupon become vested in Lender so long as an Event of Default shall continue, and Lender shall, at its option, thereupon have the sole right to exercise such voting and other consensual rights and to receive and hold as Collateral such dividends and interest payments.

8. Representations. Pledgor warrants, represents and covenants, and to the extent expressly mentioned below, BPN warrants, represents and covenants that:

(a) There are no restrictions upon the transfer of any of the Collateral and Pledgor has the right to pledge and grant a security interest in or otherwise transfer such Collateral free of any encumbrances or rights of third parties, except for the rights of United PanAm Financial Corp., f/k/a Pan American Group, Inc. ("UPFC"), under that certain Stock Option Agreement dated May 17, 1995, as amended, between UPFC, Pledgor, BPN and Walski. Pledgor and BPN hereby waive any rights that Pledgor or BPN may have under the Stock Redemption Agreement between BPN, Pledgor and Walski dated August 25, 1990 (the "Stock Redemption Agreement") to the extent such rights would hinder or impede Lender's right to dispose of the Collateral, and further agree that Lender may, upon foreclosure and sale of its Collateral or acceptance thereof in lieu of sale or foreclosure, dispose of the Shares free and clear of any restriction or rights of any third party arising under the Stock Redemption Agreement.

(b) All of the Collateral is and shall remain free from all liens, claims, encumbrances, and purchase money or other security interests. Pledgor shall not, without Lender's prior written consent, sell, transfer or otherwise dispose of any or all of the Collateral.

(c) This Agreement, and the delivery to Lender of the certificates representing the Shares, creates a valid and perfected security interest in the Collateral in favor of Lender, and all actions necessary or desirable to such perfection have been duly taken.

(d) No authorization or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for the grant by Pledgor of the security interest granted hereby or for the execution, delivery or performance of this Agreement by Pledgor, (ii) for the perfection of or exercise by Lender of its rights and remedies hereunder; or (iii) for the exercise by Lender of the voting or other rights provided for in this Agreement or the remedies in respect of the Shares pursuant to this Agreement (except as may be required in connection with a disposition of the Shares by laws affecting the offering and sale of securities generally).

(e) Pledgor has made its own arrangements for keeping informed of changes or potential changes affecting the Collateral (including, but not limited to, rights to convert, rights to subscribe, payment of dividends, reorganization or other exchanges, tender offers and voting rights) and Pledgor agrees that Lender shall have no responsibility or liability for informing Pledger of any such changes or potential changes or for taking any action or omitting to take any action with respect thereto.

(f) The Shares and any shares owned by Walski and pledged to Lender represent, and will at all times represent, all of the issued and outstanding shares of capital stock of BPN. Pledgor and BPN agree that no additional Shares shall be issued except to Lender without Lender's written prior approval.

(g) Pledgor and BPN represent that there are and will be no options, ants or other rights to acquire capital stock of BPN outstanding other than the option of UPFC under the Stock Option Agreement.

(h) Pledgor and BPN represent, warrant and covenant that all of the outstanding Shares have been duly and validly issued by BPN and they are fully paid and nonassessable.

(i) The financial statements of Pledgor and BPN provided and to be provided to Lender in connection with the Loan fairly represent the financial condition, operation and income of such persons as of the date covered thereby.

(j) Pledgor represents that Cornelius J. O'Shea is a trustee of the Trust, that he has the full power and authority to execute all Loan Documents on behalf of the Trust, that the Trust is not restricted from entering into and performing its obligations under the Loan Documents, and that Lender has or will be delivered a true and correct copy of the Trust.

9. Additional Covenants. Pledgor and BPN covenant and agree that:

(a) BPN will not incur any indebtedness other than for trade payables incurred for goods and services acquired or utilized in the ordinary course of business and paid within 90 days, or guaranty or pledge any assets to secure any indebtedness of any other person, and any obligation to repay Pledgor and Walski any funds advanced to BPN from the proceeds of the Note and the Walski Note,

(b) Lender may collect all Loan payments, when due, by directly debiting amounts otherwise due BPN from Lender under the IPF Agreement.

(c) BPN and each party comprising Pledgor shall provide Lender annually with financial statements in form satisfactory to Lender and copies of all federal and state income tax returns filed by them.

(d) BPN and Pledgor have materially benefitted from the proceeds of the Loan, and Lender would not extend such credit without BPN's and Pledgor's agreement to the terms of this Agreement, including specifically this paragraph 9.

10. Share Adjustment. In the event that during the term of this Agreement, any reclassification, readjustment or other change is declared or made in the capital structure of BPN, or any Option is exercised, all new substituted and additional shares, options, or other securities, issued, or issuable, to Pledgor by reason of any such change or exercise shall be delivered to and held by Lender under the terms of this Agreement in the same manner as the Collateral originally pledged hereunder.

11. Warrants. In the event that during the term of this Agreement, subscription warrants or any other rights or options shall be issued or exercised in connection with the Collateral, such warrants, rights and options acquired by Pledgor shall be immediately assigned by Pledgor to Lender and all new stock or other securities so acquired by Pledgor shall also be immediately assigned to Lender to be held under the terms of this Agreement in the same manner as the Collateral originally pledged hereunder.

12. Consent. Pledgor hereby consents that, from time-to-time, before or after the occurrence or existence of any Event of Default, with or without notice to or assent from Pledgor, any other security at any time held by or available to Lender for any of the Obligations or any other security at any time held by or available to Lender of any other person, firm or corporation secondarily or otherwise liable for any of the Obligations, may be exchanged, surrendered, or released and any of the Obligations may be changed, altered,

renewed, extended, continued, surrendered, compromised, waived or released, in whole or in part, as Lender may see fit, and Pledgor shall remain bound under this Agreement notwithstanding any such exchange, surrender, release, alteration, renewal, extension, continuance, compromise, waiver or inaction, or extension of further credit.

13. Events of Default. The Lender may exercise the remedies held by the Lender under this Agreement and other Loan Documents if any of the following events (an "Event of Default") occur and are not remedied by the defaulting party or waived in writing by the Lender.

(a) The nonpayment, within five (5) days of the date when due, of any installment of interest or principal owing under the Note or of any other amount payable to the Lender under the terms of the Loan Documents.

(b) The failure by the Pledgor or BPN to perform or observe any representation, warranty or agreement contained in any of the Loan Documents, which shall continue for a period of thirty (30) days after the Pledgor or BPN become aware thereof, except that any obligations related to the payment of money shall have no grace period except as otherwise expressly provided in paragraph 13(a) hereof.

(c) The existence for a period of thirty (30) days of any lien other than liens created by the Loan Documents or permitted hereunder covering all or any portion of the Collateral, unless the validity thereof is being contested in good faith by the Pledgor.

(d) Any representation, statement, certificate, schedule or report made or furnished to the Lender by or on behalf of the Pledgor or BPN proves to be false or erroneous in any material respect at the time of the making thereof or any representation or warranty contained in the Loan Documents ceases to be complied with in any material respect.

(e) The insolvency (meaning an inability to pay debts as the same become due or the existence of liabilities in excess of assets) of any of the parties comprising Pledgor or

BPN, or the institution of bankruptcy, reorganization, liquidation, receivership or conservatorship proceeding by or against any of the parties comprising Pledgor or BPN.

(f) The default in payment or acceleration of the maturity of any indebtedness any of the parties comprising Pledgor or BPN owing to any other person.

(g) For any reason after execution and delivery thereof, any document delivered pursuant hereto that creates, or was intended to create, a security interest or to provide collateral security for indebtedness created hereunder ceases to be in full force and effect, or the liens intended to be created thereby cease to be or are not valid and perfected first liens, subject to no other liens.

14. Remedies Upon Default. Upon the occurrence of an Event of Default, Lender shall have, in addition to any other rights given by law or the rights hereunder, all of the rights and remedies with respect to the Collateral of a secured party under the California Uniform Commercial Code.

In addition, with respect to the Collateral, or any part thereof, Lender may sell or cause the same to be sold at any public or private sale, in one or more sales or lots, at such price as Lender may deem best, and for cash or on credit or for future delivery, without assumption of any credit risk, and the purchaser of any or all of the Collateral so sold shall thereafter hold the same absolutely, free from any claim, encumbrance or right of any kind whatsoever.

Any sale of the Collateral conducted in conformity with reasonable commercial practices of banks, insurance companies or other financial institutions disposing of property similar to the Collateral shall be deemed to be commercially reasonable. Any requirements of reasonable notice shall be met if such notice is mailed to Pledgor, at the address set forth in this Agreement, at least ten (10) calendar days before the time of the sale or disposition. Any other retirement of notice, demand or advertisement for sale, is, to the extent permitted by law, waived.

Lender may, in its own name, or in the name of a designee or nominee, buy at any public sale of the Collateral. Lender shall have the right to execute any document or form, in its name or in the name of the Pledgor, which may be necessary or desirable in connection with such sale of Collateral.

In addition to specific rights provided herein with respect to sales of the Shares, and subject to applicable law, sales of the Collateral may be conducted with or without demand and with or without notice or advertisement, for cash, credit or for future delivery, all as the Lender shall deem appropriate. Without limiting the foregoing, the Lender may (i) approach and negotiate with potential purchasers, and (ii) restrict the prospective bidders or purchasers to persons who will represent and agree that they are purchasing such Collateral for their own account for investment and not with a view to the distribution or resale thereof. In the event any such Collateral is sold at private sale, Pledgor agrees that such sale shall not, by reason merely that it is a private sale subject to the potential restrictions described herein, or that there is a possibility that a substantially higher

price might have been realized at a public sale, be deemed to have not been made in a commercially reasonable manner. Pledgor recognizes that no ready market may exist for such Collateral and that a sale by Lender of any such Collateral for an amount substantially less than the value of the Shares may be commercially reasonable in view of the difficulties that may be encountered in attempting to sell securities that are not publicly traded. Upon consummation of any such sale, Lender shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof, the Collateral so sold. Each such purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of the Pledgor. Pledgor hereby waives (to the extent permitted by law) all rights of redemption, stay and/or appraisal which Pledgor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. If any consent, ruling or authorization of any state, municipal or other governmental agency or authority shall be necessary to effectuate any sale or disposition of the Collateral, Pledgor shall execute all such applications and other instruments as may be required in connection with securing any such consent, ruling or authorization and, will otherwise use its best efforts to secure the same. Under no circumstances will Lender be obligated to register any securities under the Securities Act of 1933 or any similar qualification or registration law of any state, unless, in its sole discretion, it shall elect to do so, in which case the cost of such registration and qualification shall become part of the Obligations secured hereby.

15. Lender as Pledgor's Attorney-in-Fact. Pledgor hereby irrevocably appoints Lender as its attorney-in-fact to arrange for the transfer, at any time after the existence or occurrence of an Event of Default, of the Collateral on the books of BPN to the name of Lender or to the name of Lender's nominee.

16. Further Assurances. Pledgor agrees that it will cooperate with Lender and will execute and deliver, or cause to be executed and delivered, all such other stock powers, proxies, instruments, and documents and will take all such other action, as Lender may reasonably request from time to time in order to carry out the provisions and purposes hereof.

17. Attorneys' Fees and Costs. Pledgor hereby agrees to pay all reasonable attorneys' fees and all other costs and expenses which may be incurred by Lender in the enforcement of this Agreement, whether or not suit is brought.

18. Notices. Any notice, demand or communication required or permitted to be given by any provision of the Loan Documents will be in writing and will be deemed to have been given when delivered personally or be telefacsimile, receipt confirmed, to the party designated to receive such notice or on the business date following the day sent by overnight courier or on the third (3rd) business day after the same is sent by certified mail, postage and charges prepaid, directed to the following addresses or to such other or additional addresses as any party might designate by written notice to the other party:

To Pledgor or BPN: BPN
13750 Pipeline Avenue
Chino, California 91710

Attention: Cornelius J. O'Shea

To Lender: PanAm Bank
1300 S. El Camino Real
Suite 320
San Mateo, CA 94402
Attention: President

19. Choice of Law and Venue. The validity of this Agreement, its construction, interpretation, and enforcement and the rights of the parties hereto shall be determined under the laws of the State of California. The parties agree that all actions or proceedings arising in connection with this Agreement shall be tried and litigated only in the state and federal courts located in the County of Los Angeles, State of California. Each party waives any right it may have to assert the doctrine of forum non conveniens or to object to venue to extent any proceeding is brought in accordance with the terms hereof.

20. General Provisions.

(a) This Agreement shall bind and inure to the benefit of the respective successors and assigns of the parties; provided, however, that Pledgor and BPN may not assign this Agreement or any rights hereunder without Lender's prior written consent and any prohibited assignment shall be absolutely void. No consent to an assignment by Lender shall release Pledgor or BPN from its obligations to Lender hereunder. Lender may assign its rights and duties hereunder. Lender reserves the right to sell, assign, transfer, negotiate, or grant participations in all or any part of, or any interest in rights and benefits hereunder. In connection therewith, Lender may disclose all documents and information which Lender now or hereafter may have relating to Pledgor or Pledgor's business.

(b) Paragraph headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each Paragraph hereof applies equally to this entire Agreement.

(c) Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any party hereto, whether under any rule of construction or otherwise, by virtue of such party's having prepared the same. On the contrary, this Agreement has been reviewed by each of the parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

(d) Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

(e) This Agreement cannot be changed or terminated orally. All prior agreements, understandings, representations, warranties, and negotiations, if any, are merged into this Agreement, the Loan Documents and the other documents and agreements entered into in connection herewith and therewith.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first written.

BPN Corporation

By: /s/ Peter A. Walski

Peter A. Walski
Title: Pres.

By: /s/ Cornelius J. O'Shea

Cornelius J. O'Shea
Title: VP

/s/ Cornelius J. O'Shea

Cornelius J. O'Shea

Pan American Bank, FSB

By: /s/ Lawrence J. Grill

Lawrence Grill, President

EXHIBIT 10.95

PROMISSORY NOTE
(SECURED LOAN)

$780,000.00 San Mateo, California
November 5, 1998

FOR VALUE RECEIVED, Peter A. Walski, Barbara R. Walski and The Walski Family Trust, u/d/t August 30, 1989 (collectively, "Borrower"), promise to pay to the order of Pan American Bank, its successors and assigns (the "Lender") at 1300 S. El Camino Real, Suite 320, San Mateo, California 94402 or at such other place as might be designated in writing by the Lender, the principal sum of Seven Hundred Eighty Thousand Dollars ($780,000.00) or so much thereof as has been disbursed by the Lender and remains unpaid, together with interest thereon at nine and one quarter percent (9.25%) per annum.

This Note is issued by the Borrower and accepted by the Lender pursuant to a Loan and Stock Pledge Agreement between the Borrower, BPN Corporation and the Lender, dated as of November 5, 1998 (the "Loan Agreement") and evidences the Loan ("Loan") described in the Loan Agreement.

Principal and interest on this Note will be payable as follows: A principal payment of $130,000.00, payable as set forth in the Loan Agreement, will be made immediately following funding of the Loan. An initial payment of $20,745.54, plus the amount of any accrued interest on the outstanding principal balance of the Note from the date of funding of the Loan through November 30, 1998 shall be due on December 31, 1998. Thereafter, principal and interest will be due in equal installments of $20,745.54 due on the last day of each month and with the last payment due on December 31, 2001, at which time any remaining unpaid balance and accrued but unpaid interest shall be due.

The Borrower will have the right at any regular payment date to prepay the unpaid principal balance of this Note, in whole or in part, without penalty. In the event of such a prepayment, Lender shall recalculate the future payments due hereunder to reflect the amortization of the remaining principal, and accrued interest, in equal monthly installments over the remaining term of the Note.

The Borrower agrees that if, and as often as, this Note is placed in the hands of an attorney for collection or to defend or enforce any of the Lender's rights under this Note, the Loan Documents (as defined in the Loan Agreement) or otherwise relating to the indebtedness hereby evidenced, the Borrower will pay the Lender's reasonable attorneys' fees, all court costs and all other expenses incurred by the Lender in connection therewith. The Lender may collect a late charge equal to five percent (5.0%) of each monthly payment which is not received by the Lender within five (5) days after the maturity date of each installment. Such late charge represents the estimate of reasonable compensation for the loss which will be sustained by the Lender arising from the Borrower's failure to make timely payments and may be collected without prejudice to the rights of the Lender to collect any other amounts arising from the Borrower's default in payment or to accelerate the maturity of the indebtedness hereby evidenced. In addition to the foregoing late charge, at the option of the Lender, after the occurrence of any Event of Default (as defined in the Loan Agreement), the unpaid balance of this Note will bear interest at fourteen percent (14.0%) per annum and such interest which has accrued will be paid at the time of and as a condition precedent to curing any Event of Default. During the existence of any default, the Lender may apply payments received on any amount due hereunder or under the terms of any instrument now or hereafter evidencing or securing payment of this indebtedness as the Lender determines from time to time.

Payment of the indebtedness hereby evidenced is secured by certain security interests described in the Loan Documents. On the breach by the Borrower of any provision of this Note, or the occurrence of any other Event of Default under any one or more of the Loan Documents or any other instrument now or hereafter evidencing or securing payment of the indebtedness hereby evidenced, and the continuation of such Event of Default beyond any applicable cure period, at the option of the Lender, the entire indebtedness evidenced by this Note will become immediately due, payable and collectible then or thereafter as the Lender might elect, regardless of the date of maturity of this Note. Failure by the Lender to exercise such option will not constitute a waiver of the right to exercise the same on the occurrence of any subsequent Event of Default.

The makers, endorsers, sureties, guarantors and all other persons who might become liable for all or any part of this obligation severally waive presentment for payment, protest and notice of nonpayment. Such parties consent to any extension of time (whether one or more) of payment hereof, release of all or any part of the collateral securing payment hereof or release of any party liable for the payment of this obligation. Any such extension or release may be made without notice to any such party and without discharging such party's liability hereunder. If more than one maker executes this Note, the liability of each of the undersigned is and shall be joint and several.

The lending transaction contemplated by this Note and the Loan Documents has been negotiated, consummated and is to be performed in the State of California. This Note and the other Loan Documents described herein shall be governed by, and construed and enforced in accordance with the substantive law of the State of California. Any action or proceeding arising in connection with this Note and the Loan Documents shall be brought in a federal or state court within Los Angeles County, California, and the Borrower hereby consents to the jurisdiction of any federal or state court within the State of California and located in State of California and located in Los Angeles County, California.

The Borrower irrevocably and unconditionally

submits to the jurisdiction (both subject matter and personal) of each such court and irrevocably and unconditionally waives (1) any objection that the Borrower might now or hereafter have to the venue in any such court; and (2) any claim that any action or proceeding brought in any such court has been brought in an inconvenient forum. Notwithstanding the foregoing, the Lender may, in its sole and absolute discretion, initiate proceedings in the courts of any other jurisdiction in which the Borrower may be found or in which its assets may be located.

THE BORROWER HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (1) ARISING UNDER THIS NOTE, ANY OF THE LOAN DOCUMENTS OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR (2) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF BORROWERS AND LENDER OR ANY OF THEM WITH RESPECT TO THIS NOTE, THE LOAN AGREEMENT, THE LOAN DOCUMENTS, OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND THE BORROWER AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT LENDER MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS NOTE WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE BORROWER TO THE WAIVER OF THE RIGHT TO TRIAL BY JURY.

IN WITNESS WHEREOF, the Borrower has executed this instrument effective the date first above written.

Borrower: /s/ Barbara R. Walski

Barbara R. Walski

/s/ Peter A. Walski

Peter A. Walski

THE WALSKI FAMILY TRUST

By: /s/ Peter A. Walski, Trustee

Peter A. Walski, Trustee

By:
/s/ Barbara R. Walski, Trustee

Barbara R. Walski, Trustee

EXHIBIT 10.96

PROMISSORY NOTE
SECURED LOAN

$420,000.00 San Mateo, California
November 5, 1998

FOR VALUE RECEIVED, Cornelius J. O'Shea and the Cornelius J. O'Shea Living Trust ("Borrower"), promise to pay to the order of Pan American Bank, its successors and assigns (the "Lender") at 1300 S. El Camino Real, Suite 320, San Mateo, California 94402 or at such other place as might be designated in writing by the Lender, the principal sum of Four Hundred Twenty Thousand Dollars ($420,000.00) or so much thereof as has been disbursed by the Lender and remains unpaid, together with interest thereon at nine and one quarter percent (9.25%) per annum.

This Note is issued by the Borrower and accepted by the Lender pursuant to a Loan and Stock Pledge Agreement between the Borrower, BPN Corporation and the Lender, dated as of November 5, 1998 (the "Loan Agreement") and evidences the Loan ("Loan") described in the Loan Agreement.

Principal and interest on this Note will be payable as follows: A principal payment of $70,000.00, payable as set forth in the Loan Agreement, will be made immediately following funding of the Loan. An initial payment of $11,170.67, plus the amount of any accrued interest on the outstanding principal balance of the Note from the date of funding of the Loan through November 30, 1998 shall be due on December 31, 1998. Thereafter, principal and interest will be due in equal installments of $11,170.67 due on the last day of each month and with the last payment due on December 31, 2001, at which time any remaining unpaid balance and accrued but unpaid interest shall be due.

The Borrower will have the right at any regular payment date to prepay the unpaid principal balance of this Note, in whole or in part, without penalty. In the event of such a prepayment, Lender shall recalculate the future payments due hereunder to reflect the amortization of the remaining principal, and accrued interest, in equal monthly installments over the remaining term of the Note.

The Borrower agrees that if, and as often as, this Note is placed in the hands of an attorney for collection or to defend or enforce any of the Lender's rights under this Note, the Loan Documents (as defined in the Loan Agreement) or otherwise relating to the indebtedness hereby evidenced, the Borrower will pay the Lender's reasonable attorneys' fees, all court costs and all other expenses incurred by the Lender in connection therewith. The Lender may collect a late charge equal to five percent (5.0%) of each monthly payment which is not received by the Lender within five (5) days after the maturity date of each installment. Such late charge represents the estimate of reasonable compensation for the loss which will be sustained by the Lender arising from the Borrower's failure to make timely payments and may be collected without prejudice to the rights of the Lender to collect any other amounts arising from the Borrower's default in payment or to accelerate the maturity of the indebtedness hereby evidenced. In addition to the foregoing late charge, at the option of the Lender, after the occurrence of any Event of Default (as defined in the Loan Agreement), the unpaid balance of this Note will bear interest at fourteen percent (14.0%) per annum and such interest which has accrued will be paid at the time of and as a condition precedent to curing any Event of Default. During the existence of any default, the Lender may apply payments received on any amount due hereunder or under the terms of any instrument now or hereafter evidencing or securing payment of this indebtedness as the Lender determines from time to time.

Payment of the indebtedness hereby evidenced is secured by certain security interests described in the Loan Documents. On the breach by the Borrower of any provision of this Note, or the occurrence of any other Event of Default under any one or more of the Loan Documents or any other instrument now or hereafter evidencing or securing payment of the indebtedness hereby evidenced, and the continuation of such Event of Default beyond any applicable cure period, at the option of the Lender, the entire indebtedness evidenced by this Note will become immediately due, payable and collectible then or thereafter as the Lender might elect, regardless of the date of maturity of this Note. Failure by the Lender to exercise such option will not constitute a waiver of the right to exercise the same on the occurrence of any subsequent Event of Default.

The makers, endorsers, sureties, guarantors and all other persons who might become liable for all or any part of this obligation severally waive presentment for payment, protest and notice of nonpayment. Such parties consent to any extension of time (whether one or more) of payment hereof, release of all or any part of the collateral securing payment hereof or release of any party liable for the payment of this obligation. Any such extension or release may be made without notice to any such party and without discharging such party's liability hereunder. If more than one maker executes this Note, the liability of each of the undersigned is and shall be joint and several.

The lending transaction contemplated by this Note and the Loan Documents has been negotiated, consummated and is to be performed in the State of California. This Note and the other Loan Documents described herein shall be governed by, and construed and enforced in accordance with the substantive law of the State of California. Any action or proceeding arising in connection with this Note and the Loan Documents shall be brought in a federal or state court within Los Angeles County, California, and the Borrower hereby consents to the jurisdiction of any federal or state court within the State of California and located in State of California and located in Los Angeles County, California. The Borrower irrevocably and unconditionally submits to the jurisdiction (both subject matter and personal) of each such court and irrevocably and unconditionally waives (1) any objection that the Borrower might now or hereafter have to the venue in any such court; and (2) any claim that

any action or proceeding brought in any such court has been brought in an inconvenient forum. Notwithstanding the foregoing, the Lender may, in its sole and absolute discretion, initiate proceedings in the courts of any other jurisdiction in which the Borrower may be found or in which its assets may be located.

THE BORROWER HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (1) ARISING UNDER THIS NOTE, ANY OF THE LOAN DOCUMENTS OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR (2) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF BORROWERS AND LENDER OR ANY OF THEM WITH RESPECT TO THIS NOTE, THE LOAN AGREEMENT, THE LOAN DOCUMENTS, OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND THE BORROWER AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT LENDER MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS NOTE WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE BORROWER TO THE WAIVER OF THE RIGHT TO TRIAL BY JURY.

IN WITNESS WHEREOF, the Borrower has executed this instrument effective the date first above written.

Borrower: /s/ Cornelius J. O'Shea

____

Cornelius J. O'Shea

THE CORNELIUS J. O'SHEA LIVING TRUST

/s/ Cornelius J. O'Shea

By:____________________________

Cornelius J. O'Shea, Trustee

EXHIBIT 10.97

COAST PURCHASE AGREEMENT

NOVEMBER 6, 1998

AGREEMENT FOR PURCHASE OF ASSETS

THIS AGREEMENT FOR PURCHASE OF ASSETS (hereinafter called Agreement) made this 5th day of November, 1998, by and between Norwest Financial Coast, Inc., a California corporation (Seller), with an address of 206 8th Street, Des Moines, Iowa 50309 and Pan American Bank, FSB (PanAm Bank), a federally chartered savings bank, with an address of 1300 South El Camino Real, San Mateo, California 94402, and BPN Corporation (BPN), a California corporation, with an address of 13750 Pipeline Avenue, Chino, California 91710 (PanAm Bank together with BPN hereinafter referred to as Buyer).

1. For a sum equal to Three Million and 00/100 Dollars ($3,000,000.00) (the Purchase Price); (i) Buyer agrees to purchase and Seller agrees to sell to Buyer, Seller's equipment, furniture, fixtures, personal computers (including computer equipment located in insurance policy producers' offices), proprietary premium finance software (including source code and all existing copies), business forms, goodwill relating to the "premium finance business," the rights to pursue the business provided by the network of producers (independent insurance agents and brokers) who refer their customers to Seller for insurance premium financing (and all files, contracts and records with respect to said producers), all as described on Schedule A attached hereto and incorporated herein (the Assets), (ii) Buyer and Seller agree to enter into the Non-Competition Agreement set forth on Schedule B, and (iii) Buyer agrees to purchase and Seller agrees to sell to Buyer the names "Coast" and "Coast Program" and any federal, state or common law trademark and service mark rights or copyrights that may be associated therewith, and all other trade names and service marks used or usable by Seller in conjunction with the "premium finance business." The closing date shall be November 6, 1998 (the Closing Date). On the Closing Date, Buyer shall pay to Seller the Purchase Price by wire transfer in immediately available funds. Seller and Buyer agree that (x) Schedule A is a representative list of the physical assets of Seller at its office located at 2525 Cherry Avenue, Suites 110, 200 and 350, Signal Hill, California 90806, and may or may not include all of such assets to be transferred to Buyer hereunder; (y) Seller makes no representations or warranties regarding the condition of the

Assets, and Buyer accepts them strictly in their "as is" condition; and (z)

Seller is not transferring to Buyer any of Seller's receivables (including, without limitation any loans or contracts) generated in connection with its premium finance business, or any other asset or assets not identified on Schedule A or otherwise described herein. Seller shall deliver to Buyer on the Closing Date a complete list of all independent insurance agents, brokers and other producers, including addresses, phone and fax numbers (which are available to Seller), included within the Assets, together with production levels for the last quarter in an ASCII formatted computer disc.

2. Seller represents and warrants, as of the date of this Agreement and as of the Closing Date, that:

(a) It owns outright and has full and perfect title to all of the Assets and other property transferred hereunder, free and clear of all claims, liens, pledges and other encumbrances of any kind whatsoever.

(b) It is a duly formed and validly existing corporation and has full power and authority to sell, assign, transfer and convey the Assets and other tangible and intangible property transferred hereunder to the Buyer, and all necessary proceedings on the part of the Seller have been or will be duly taken prior to the Closing Date to authorize the sale.

3. Buyer represents and warrants:

(a) Each is a duly formed and validly existing corporation, with full power, authority, and legal right, including but not limited to all necessary licenses, to acquire the Assets and other property transferred hereunder, enter into this Agreement, and perform all of its obligations under this Agreement and to carry out the transactions contemplated hereby.

(b) All necessary corporate action on the part of the Buyer has been or will be duly taken to authorize the purchase and this Agreement has been executed by a duly authorized officer.

4. For and in consideration of the mutual agreements set forth herein, the Buyer does hereby grant to Seller a license to use any or all of the Assets, and the names and trademarks identified in paragraph 1, for a period of one (1) year from the Closing Date at no cost to Seller for the sole purpose of servicing insurance premium finance receivables funded by Seller prior to the Closing Date or during the period set forth in Section 13. Provided, however, if Seller shall require the use of the Assets for a period of time beyond one (1) year, Seller shall notify Buyer at least sixty (60) days prior to the expiration of said one (1) year term, and said license shall be extended at no cost, for an additional period of six (6) months. If Seller shall require the extension of the license beyond said additional six (6) months, it shall be on terms and conditions mutually acceptable to the parties. At the end of the

license period, Seller shall deliver the Assets to Buyer free and clear of all claims, liens, pledges and other encumbrances, and in the same condition as of the date of hereof, ordinary wear and tear excepted. The Buyer shall be responsible for any cost associated with moving the Assets from Seller's location. After the end of the license period, Seller shall no longer be authorized to utilize the Assets.

5. From the date hereof to the Closing Date, Seller covenants with Buyer as set forth below:

(a) Seller shall conduct its business in the ordinary and normal course of business and consistent with past practice, including, without limitation, credit granting standards, marketing, and charge-off policy and practice.

(b) Seller will use its best efforts to keep its business organization intact and to maintain its assets.

6. From the date hereof to the Closing Date, Buyer covenants with Seller as follows: It will promptly use its best efforts to obtain all government and regulatory consents, approvals, licenses or other notices or filings, if any, which will be necessary for the full performance of Buyer under this Agreement.

7. Buyer's obligation to purchase and pay for the Assets and other property transferred hereunder shall be subject, to the extent not waived with respect to all or any portion of the assets, to the satisfaction of each of the following conditions at the closing.

(a) The representations and warranties in favor of Buyer contained in this Agreement shall be true and correct in all material respects as of the date when made and on and as of the Closing Date as though such representations and warranties had been made on and as of the Closing Date.

(b) Seller shall have performed and complied in all material respects with all covenants, conditions and agreements required by this Agreement to be performed or complied with.

(c) Seller shall have executed and delivered to Buyer a certified copy of the resolution of its Board of Directors authorizing the sale of assets pursuant to this Agreement.

(d) No court or governmental authority of competent jurisdiction shall have issued an order restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement.

8. Seller's obligation to sell the Assets and other property transferred

hereunder shall be subject to the satisfaction of the following condition(s) at closing:

(a) Buyer shall have executed and delivered to Seller a certified copy of the resolution of its Board of Directors authorizing the purchase of assets pursuant to this Agreement.

(b) Buyer shall have performed and complied in all material respects with all covenants, conditions and agreements required by this Agreement to be performed or complied with by Buyer.

(c) The representation(s) and warranties of Buyer in this Agreement shall be true and correct in all material respects as of the date when made and on and as of the Closing Date as though such representations and warranties had been made on and as of the Closing Date.

9. Except as specifically limited in this Agreement, all representations, warranties, covenants, and obligations in this Agreement and any certificate or document delivered pursuant to this Agreement will survive the Closing Date for the longer of; (a) one (1) year, or (b) the period of the license granted to Seller under Section 4 hereof.

10. Seller will indemnify and hold harmless Buyer and its affiliates (collectively hereinafter called the Buyer Indemnified Persons) for, and will pay to the Buyer Indemnified Persons the amount of, any loss, liability, claim, damage, expense (including costs of investigation and defense and reasonable attorneys' fees) or diminution of value, whether or not involving a third-party claim (collectively hereinafter called Damages) arising, directly or indirectly, from or in connection with any liability of Seller to any third-party, whenever arising (including any liabilities related to Seller's activities under the license granted under Section 4), and in connection with any breach of any representation or warranty made by Seller in this Agreement or any other certificate or document delivered by Sellers pursuant to this Agreement. Buyer will indemnify and hold harmless Seller and its affiliates (collectively hereinafter called the Seller Indemnified Persons) for,

and will pay to the Seller Indemnified Persons the amount of, any Damages arising, directly or indirectly, from or in connection with any breach of any representation or warranty made by Buyer in this Agreement. The remedies provided in this paragraph 10 are not exclusive and do not limit any other remedies that may be available to Seller, Buyer or any other indemnified persons.

11. Buyer and Seller agree to the transition procedures as outlined in Schedule C and each party will use its best efforts to adhere to such procedures.

12. Buyer and Seller shall consult with each other and obtain each other's approval before issuing any press release or otherwise making any public statements with respect to this Agreement or the transactions contemplated hereby; provided however, that nothing contained herein shall prohibit either party from making a communication directed to its employees or the employees of any of its affiliates as long as it is consistent with the transition procedures in Schedule C, or from making such disclosure as required to its regulatory authorities, or from making such disclosures as it deems necessary to its financial rating agencies. Buyer shall not contact any of Seller's employees without first obtaining Seller's written consent.

13. Buyer shall be permitted to interview those certain employees of Seller who work at its office located at 2525 Cherry Avenue, Suites 110, 200 and 350, Signal Hill, California 90806, and all sales representatives, as specified in writing by Seller. Buyer may, in its sole discretion, offer employment to any of the foregoing employees. Such interviews shall take place at times and at a place acceptable to Seller. Seller shall retain responsibility for all of the employee related liabilities and benefits with respect to the Seller's employees not hired by Buyer (whether incurred, or arising out of or relating to acts, omissions, events, or occurrences taking place before, on or after the Closing Date), and Seller agrees to pay any such liabilities or employee benefit claims related to those employees when due (whether incurred, or arising out of or relating to acts, omissions, events, or occurrences taking place before, on or after the Closing

Date) subject to Seller's right to contest its liability. Seller shall retain responsibility for all of the employee related liabilities and benefits with respect to any of Seller's employees hired by Buyer incurred, or arising out of or relating to acts, omissions, events or occurrences taking place on or before the Closing Date, or otherwise during their employment by Seller, and Seller agrees to pay any such liabilities or employee benefit claims when due, subject to Seller's right to contest its liability. Nothing in this paragraph shall be construed to make any of Seller's employee a third party beneficiary under this Agreement.

14. On November 10, 1998, or on such date as may be mutually agreed upon (the Notice Date), Seller shall send written notice to all insurance agents and brokers known or believed to be likely to submit "premium finance" loan applications to Seller, stating that (a) Seller has sold and the Buyer has purchased the "premium finance business," (b) all references to "Norwest Financial Coast, Inc." and/or "Dial Bank" on loan applications and agreements previously distributed to them by Seller should be deleted as soon as reasonably practical, and in any event within sixty (60) days after the Closing Date, and (c) all loan applications and agreements bearing the name "Norwest Financial Coast, Inc." and/or "Dial Bank" should be destroyed within sixty (60) days of the Closing Date. Buyer shall distribute new applications and agreements to the agents and brokers as soon as possible, but in no event later than forty-five

(45) days after the Closing Date. Until thirty (30) days after the Notice Date, Seller shall continue to process any and all loan applications and agreements received by Seller, and any loans made by Seller pursuant to such an application shall be the property of Seller. Thereafter, whether or not the agents and brokers use the loan applications and agreements bearing the name "Norwest Financial Coast, Inc" and/or "Dial Bank," any and all applications received by Seller shall be submitted for approval and acceptance to the Buyer, and Seller shall have no other responsibility thereunder, except as provided under the Master Assignment Agreement. For all applications and agreements received by Seller after the date which is thirty (30) days following the Notice Date, Seller hereby assigns all of its right, title and interest in, to and under such applications and agreements

and the Buyer assumes all liabilities and obligations of Seller, if any, thereunder, except as provided under Schedule C or the Master Assignment Agreement.

15. The parties hereto agree that this Agreement constitutes a sale of "assets" and not a sale of the corporate entities "Norwest Financial Coast, Inc." or "Premium Service/Norwest Financial Coast, Inc." and Seller shall continue to have the right to bring or defend actions in its corporate names. Seller agrees that Buyer has not assumed any liabilities of Seller or any affiliated entities and all such liabilities shall remain the responsibility of and be discharged by Seller. Seller has not transferred to Buyer the right to use the names "Norwest Financial Coast, Inc." or "Premium Service/Norwest Financial Coast, Inc." and any of the state or common law trademark and service mark rights or copyrights that may be associated therewith and not transferred to Buyer under Section 1 of this Agreement. Seller agrees herein to use the names "Norwest Financial Coast, Inc." and/or "Premium Service/Norwest Financial Coast, Inc." for the sole purposes of running-off of its current receivables and bringing and defending actions with respect to the premium finance business previously originated by Seller and the business originated pursuant to the terms hereof, and shall not market any products or services using the name "Coast." Buyer agrees that if in connection with any such actions, Seller requires access to any of the equipment, or copies of any of the records or documents transferred hereunder, Buyer shall (at no cost to Buyer) provide Seller access to such equipment or copies of such documents or records.

16. This Agreement, the Non-Competition Agreement set forth as Schedule B, and the Master Assignment Agreement of even date hereof, (a) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the parties or their affiliates, with respect to the subject matter hereof, (b) shall not be assigned by Buyer (other than to such affiliated companies as it may designate) or by Seller by operation of law or otherwise, without the consent of the other, (c) shall be governed in all respects, including validity, interpretation and effect by the laws of the State of California (excepting those conflicts

of laws provisions which would serve to defeat application of California law), and (d) may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall constitute but one instrument.

17. With the prior written consent of Seller, Buyer may assign its rights under this Agreement to an affiliate.

18. Each party will be responsible for its own legal and out-of-pocket expenses related to this transaction.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

BUYER:

Pan American Bank, FSB, a federally chartered savings bank

By: /s/ William Bron

Title: Chairman

SELLER:

Norwest Financial Coast, Inc., a California corporation

By: /s/ [SIGNATURE ILLEGIBLE]

Title: President

BPN Corporation, a California corporation

By:

Title:

Schedule A

[See Attached]

Schedule A

1. All equipment
2. All furniture
3. All fixtures
4. Personal computers (including computer equipment located in insurance policy producers' offices)
5. Proprietary premium finance software (including source code and all existing copies)
6. Business forms
7. Goodwill relating to the "premium finance business"
8. The rights to pursue the business provided by the network of producers (independent insurance agents and brokers) who refer their customers to Seller for insurance premium financing (including all files, contracts and records with respect to said producers)
9. All assets not listed above but included in the documentation of Seller assets previously provided to Buyer by Seller

EXHIBIT 10.98

[ADVANTA MORTGAGE LETTERHEAD]

August 21, 1996

Mr. Blair Kinney
Pan American Bank, FSB
1300 So. El Camino Real, Suite 320
San Mateo, CA 94402

Re: Master Commitment for Conduit Participants, number191564.11 (the "Master Commitment"), dated as of October 2, 1995, between Advanta Mortgage Conduit Services, Inc. ("Buyer") and Pan American Bank, FSB ("Seller"), and Master Loan Purchase Agreement for Advanta Conduit Loan Acquisitions referred to in the Master Commitment (the "Purchase Agreement").

Dear Blair:

This letter shall confirm that we have agreed to extend the Commitment Term (as such term is defined in the Master Commitment) until September 30, 1997 (the "Extended Term"). In all other respects, the Master Commitment (including the monthly Commitment Volume, as such term is defined in the Master Commitment) and the Purchase Agreement shall remain in full force and effect with the same force and effect as if the original Commitment Term had included in the Extended Term. The Master Commitment and the Purchase Agreement, as modified by this letter, are hereby confirmed, approved, and ratified in their entirety.

Please evidence your confirmation of, and agreement to, the terms set forth above by executing this letter where indicated below.

Very truly yours,
Advanta Mortgage Conduit Services, Inc.

By: /s/ Maryann O'Hara

Maryann O'Hara
Vice President

The undersigned does hereby confirm and agree to the terms of this letter.

Date: October 1, 1996

Pan American Bank, FSB

By: /s/ Robert Wilson

Name: Robert Wilson

Title: EVP

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cc: Rick Holguin Advanta Conduit
Anna Martinez Advanta Conduit

MASTER COMMITMENT FOR CONDUIT PARTICIPANTS

This Master Commitment, dated as of October 2, 1995 is between Advanta Mortgage Conduit Services, Inc., a Delaware corporation (the "Buyer"), and Pan American Savings Bank, a California corporation (hereinafter referred to as "Seller").

Attached to this Master Commitment is the Mortgage Loan Purchase Agreement for Advanta Conduit Loan Acquisitions" (the "Purchase Agreement"), the terms of which are hereby incorporated by reference into this Master Commitment. This Master Commitment is intended to be a "Commitment" within the meaning of the Purchase Agreement. Also attached to this Master Commitment is a form of a "Settlement Sheet"; each executed "Settlement Sheet" is intended to be a "Confirmation" within the meaning of the Purchase Agreement.

The Seller has heretofore received from the Buyer its "Advanta Conduit Seller's Guide," which, as it may be modified, supplemented or amended form time to time by the Buyer, is hereinafter referred to a the "Seller's Guide." Set forth in the Seller Guide are the Buyer's underwriting and origination practices guidelines, together with related product description, and documentation requirements. Mortgage loans (i) which conform to such product descriptions, underwriting and origination practices and documentation requirements set forth in the Seller Guides, and (ii) which conform to all Representations and Warranties, as defined in the Purchase Agreement and applicable to the related Mortgage Loans, are hereinafter referred to as "Qualifying Loans."

Section 1. <u>Certain Definitions</u>. For purposes of this Master Commitment refer to the Purchase Agreement for defined terms.

In addition, for purposes hereof and of the Purchase Agreement:

the "Applicable Guidelines" means the Buyer's required underwriting guidelines, origination practices and product descriptions, as set forth in the Seller's Guide;

the "Documentation Requirements" means the Buyer's documentation requirements, as set forth in the Seller's Guide.

Section 2. <u>Commitment to Buy and Sell; Volume and Term.</u>

(a) The Buyer hereby agrees to purchase from the Seller, either directly or indirectly or through one or more affiliates, and the Seller hereby agrees to use its best efforts to sell to the Buyer during the period commencing on October 2, 1995 and ending on September 30, 1996 (such period, the "Commitment Term"), $1 million per month of Qualifying Loans originated by the Seller (such dollar amount per month, the "Commitment Volume").

(b) For the first three months of the Commitment Term, the Seller shall follow the delivery procedures set forth in the Seller's Guide under Section 3, "Correspondent Procedures," for the "Flow" delivery option ("Flow Deliveries"); thereafter the Seller shall follow the delivery procedures for the "Pool" delivery option ("Pool Deliveries").

(c) Each such sale will be closed on a servicing related basis, without recourse, and subject to all the terms and conditions hereof, the provisions of the other Related Conduit Agreements, together with any and all additional terms and conditions imposed on such sale by the provisions of the Seller Guide.

(d) Each Settlement Sheet executed and delivered by the Buyer and the Seller pursuant hereto shall constitute a confirmation of the purchase of the Qualifying Loans described in such

Settlement Sheet. If prior to purchase of any mortgage loan offered by the Seller, either the Seller or the Buyer becomes aware that such mortgage loan is not a Qualifying Loan, the Buyer will be under no obligation to purchase such Mortgage Loan. The determination by the Buyer as to whether any offered Mortgage Loan is a Qualifying Loan shall be conclusive, absent manifest error.

(e) Nothing contained in this Master Commitment or the other Related Conduit Agreements shall be deemed to waive any right of the Buyer to require Seller to repurchase any Mortgage Loan (i) in the event it is determined by the Seller or the Buyer or anyone acting on their respective behalf that any Mortgage Loan breaches any of the Representations and Warranties (as defined in the Purchase Agreement) applicable to such Mortgage Loan (including the representation and warranty that such mortgage loan is a Qualifying Loan), or (ii) in the event Seller fails, with respect to such Mortgage Loan, to comply with the document delivery requirements set forth in the Seller Guide.

Section 3. Pricing of Qualifying Loans. The Qualifying Loans will be purchased from the Seller by the Buyer at prices to be determined by reference to the applicable Rate Sheet issued by Buyer to Seller; it being acknowledged and agreed that pricing shall reflect the Commitment Term, the Commitment Volume, and whether the Seller is then delivering such Qualifying Loans as Pool Deliveries or as Flow Deliveries. Not later than the Business Day prior to any pricing change, Buyer shall transmit to the Seller, by facsimile, the new Rate Sheet for the related Mortgage Loans.

Section 4. Origination and Transfer for Mortgage Loans.

(i) The origination and transfer of Mortgage Loans will comply with the requirements of the Seller Guide.

(ii) In connection with each purchase Mortgage Loans, the Buyer shall purchase, without recourse, all of the Seller's right, title and interest to each Mortgage Loan, including all interest accruing thereon, and principal received on or with respect to such Mortgage Loan on or after the related Cut-Off Date, from the Mortgagors most recent paid-to date.

(iii) Buyer may purchase any particular Mortgage Loans either directly, or may cause an affiliate of Buyer (which may include a trust organized for such purpose) to purchase such Mortgage Loans.

Section 5. Termination of Commitment.

(a) Subject to the termination provisions set forth below in this Section 5, the provisions of this Master Commitment and of the other Related Conduit Agreements shall be in effect during the Commitment Term; provided, that the provisions hereof and of the other Related Conduit Agreements shall nevertheless apply to any purchases of Mortgage Loans which occur after the expiration of the Commitment Term, unless the parties affirmatively agree otherwise.

(b) The Buyer has the right, at its election, to terminated its purchase commitment on five (5) Business Days' notice in the event (i) of a material adverse change in the business or financial condition of the Seller, (ii) that the Seller is in default under any Related Conduit Agreement and Seller fails to cure such default within the prescribed Cure Period therein.

Section 6. Additional Programs. Should the Buyer elect to offer additional mortgage loan programs to the Seller, it shall notify the Seller and the parties agree to discuss in good faith arrangements pursuant to which the Seller would originate such products in a manner that would be mutually beneficial to the parties. The failure of the parties to reach a mutually acceptable agreement with respect to such product shall not alter the

rights and responsibilities of the parties under the Related Conduit Agreements. If an agreement with respect to an additional product is reached, the parties hereto shall amend the provisions of the Related Conduit Agreement to reflect such agreement.

Section 7. Amendments to the Seller Guide and Documentation

Requirements. The Buyer shall notify the Seller in writing of all changes to the Seller Guides; provided, that no such change shall apply to any loans in the Seller's pipeline to the extent that the related Mortgagor's application has been approved in accordance with the Seller Guide.

Section 8. Counterparts. For the purpose of facilitating the execution of this Master Commitment and for other purposes, this Master Commitment may be executed simultaneously in any number of counterparts, each of which shall be deemed to be an original, and together shall constitute one and the same instrument.

Section 9. Confidentiality. The Seller and its attorneys and accountants will not disclose to third parties, without the Buyer's prior consent, the terms of this Master Commitment, or the other Related Conduit Agreements, except as required by law. The Seller shall indemnify the Buyer with respect to any losses suffered by the Buyer as a result of the breach of this covenant.

IN WITNESS WHEREOF, the parties hereto have caused this Master Commitment to be duly executed by their respective officers on the day and year first above written.

SELLER
PAN AMERICAN SAVINGS BANK

By: /s/ Robert Wilson

Name:
Title:

BUYER
ADVANTA MORTGAGE CONDUIT SERVICES, INC.

By: /s/ Anna M. Martinez

Name: Anna M. Martinez
Title: Vice President

EXHIBIT 10.99

ASSIGNMENT, ASSUMPTION AND RECOGNITION AGREEMENT

This Assignment, Assumption and Recognition Agreement (the "Agreement") is made and entered into on September 30, 1998, by Countrywide Home Loans, Inc., a New York corporation, having an address at 4500 Park Granada Boulevard, Calabasas, California 91302 (the "Seller"), First Federal Savings and Loan Association of San Gabriel Valley, having an address at 225 North Barranca Street, West Covina, California 91791-1605 (the "Purchaser") and Pan American Bank, FSB, having an address at 625 The City Drive, Orange, California 91302 (the "Company").

In consideration of the mutual promises and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Assignment and Assumption. Except as expressly provided for herein, the Seller hereby grants, transfers and assigns to the Purchaser on September 30, 1998 (the "Closing Date") (a) all of its right, title and interest as "Purchaser" in, to and under that certain Mortgage Loan Purchase and Interim Servicing Agreement dated as of September 30, 1998, and duly executed by the Company and the Seller (attached hereto as Exhibit A, the "Purchase Agreement"), (b) all of its right, title and interest in and to the each of the mortgage loans identified in Exhibit B hereto (the "Mortgage Loans"), and (c) all servicing rights relating to the Mortgage Loans (the "Servicing Rights"). Except for the provisions pertaining to the payment of the purchase price, the Purchaser hereby assumes all of the Seller's obligations as "Purchaser" under the Purchase Agreement from and after the date hereof, and the Seller shall be relieved and released by the Company of all of its obligations under the Purchase Agreement from and after the date hereof. Except as is otherwise expressly provided herein, the Seller makes no representations, warranties or covenants to the Purchaser and the Purchaser acknowledges that the Seller has no obligations to the Purchaser under the terms of the Purchase Agreement or otherwise relating to the transaction contemplated herein (including but not limited to any obligation to repurchase any of the Mortgage Loans or to indemnify the Purchaser).

2. Consideration. In consideration for the transfers and assignments set forth in paragraph 1 of this Agreement, upon receipt by the Purchaser of a certification, issued by that custodian designated by the Purchaser, in form and substance reasonably acceptable to the Purchaser and stating that all Mortgage Loan Documents (as defined in the Purchase Agreement) have been

received by such custodian, the Purchaser shall pay to the Seller the amounts referenced in that certain funding schedule dated as of September 30, 1998 and duly executed by the Seller and the Purchaser (the "Purchase Price"). The Purchaser agrees to wire the agreed upon Purchase Price to the Seller to the account designated below:

Bank of New York
ABA - 021000018
Countrywide Home Loans
ACCT - 8900038632
REF - Stuart Levitt - First Federal (San Gabriel)

Notwithstanding the foregoing, in the event the Purchaser does not receive such certification and wire the funds on or before three (3) Business Days following the Closing Date, the Purchaser shall sell, convey, transfer and assign to the Seller on the fourth (4th) Business Day following the Closing Date all right, title and interest in and to the Mortgage Loans, the Servicing Rights, the Mortgage Loan Documents and the Escrow Accounts relating to the Mortgage Loans. In such event, the Seller shall be entitled to all collections and recoveries and interest received or applied to any Mortgagor's account after the Cut-off Date (as defined in the Purchase Agreement).

3. Recognition of the Purchaser by the Company. From and after the date hereof, the Company shall recognize the Purchaser as the owner of the Mortgage Loans and the "Purchaser" under the Purchase Agreement.

4. Servicing of the Mortgage Loans. From and after the date hereof, the Company shall interim service the Mortgage Loans for the Purchaser in accordance with the terms and conditions of the Purchase Agreement, as if the Purchaser and Company had entered into the Purchase Agreement. In consideration therefor, the Purchaser shall pay the Company the interim servicing fee set forth in Section 4.1 of the Purchase Agreement; provided, however, that the Seller shall pay to the Purchaser the interim servicing fee for the second thirty (30) day period following the Closing Date. The address of the Purchaser set forth in Section 6.1 of the Purchase Agreement shall be changed to read as follows:

First Federal Savings and Loan Association of San Gabriel Valley
225 North Barranca Street
West Covina, California 91791-1605
Attn: Dale Schiering

5. Status of Purchase Agreement. The Company and the Seller represent and warrant that (a) the Purchase Agreement is in full force and effect as of the date hereof, (b) the Purchase Agreement has not been amended or modified in any respect, and (c) there has been no waiver or any agreement to waive any provision, nor has any notice of termination been given, under the Purchase

Agreement.

6. No Claims. The Company represents and warrants that it has no offsets,
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counterclaims or other defenses available to it with respect to the Purchase Agreement.

7. Covenants, Representations and Warranties of the Seller. The Seller
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represents and warrants to, and covenants with, the Purchaser that:

a. The Seller is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, and has all requisite corporate power and authority to acquire, own and sell the Mortgage Loans;

b. The Seller has full corporate power and authority to execute, deliver and perform under this Agreement, and to consummate the transactions set forth herein. The execution, delivery and performance of the Seller of this Agreement, and the consummation by it of the transactions contemplated hereby, have been duly

authorized by all necessary corporate action of the Seller. This Agreement has been fully executed and delivered by the Seller and constitutes the valid and legally binding obligation of the Seller enforceable against the Seller in accordance with its respective terms;

c. No material consent, approval, order or authorization of, or declaration, filing or registration with, any governmental entity is required to be obtained or made by the Seller in connection with the execution, delivery or performance by the Seller of this Agreement, or the consummation by it of the transaction contemplated hereby;

d. There is no action, suit, proceeding, investigation or litigation pending or, to the Seller's knowledge, threatened, which either in any instance or in the aggregate, if determined adversely to the Seller, would adversely affect the sale of the Mortgage Loans to the Purchaser, the execution, delivery or enforceability of this Agreement, or the Seller's ability to perform its obligations under this Agreement; and

e. Immediately prior to payment of the purchase price for the Mortgage Loans, the Seller is the lawful owner of the Mortgage Loans with the full right to transfer the Mortgage Loans free from any and all claims and encumbrances whatsoever.

8. Covenants, Representations and Warranties of Purchaser. The Purchaser
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represents and warrants to, and covenants with, the Seller and the Company that except for the provisions pertaining to the payment of the purchase

price thereunder, the Purchaser agrees to be bound as "Purchaser" by all of the terms, covenants and conditions of the Purchase Agreement, and from and after the date hereof, the Purchaser assumes for the benefit of the Seller and the Company all of the Seller's obligations as "Purchaser" thereunder.

9. Governing Law. This Agreement shall be construed in accordance with the laws of the State of California and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with the laws of the State of California, except to the extent preempted by federal law.

10. Confidentiality. The Seller and the Purchaser hereby acknowledge and agree that this Agreement shall be kept confidential and its contents will not be divulged to any party without the other party's consent except to the extent that it is appropriate for the Seller or the Purchaser to do so in working with legal counsel, auditors, taxing authorities or other governmental agencies.

11. Conflict with Purchase Agreement. To the extent there is any conflict between the terms of the Purchase Agreement and this Agreement, the latter shall be controlling, notwithstanding anything to the contrary contained in the Purchase Agreement.

12. Capitalized Terms. All capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Purchase Agreement.

13. Counterparts. This Agreement may be executed in any number of counterparts. Each counterpart shall be deemed to be an original and all such counterparts shall constitute one and the same instrument.

[Next Page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

COUNTRYWIDE HOME LOANS, INC.,
the Seller

By /s/ Michael W. Schloessmann
____

Michael W. Schloessmann
Vice President

FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION OF SAN GABRIEL VALLEY,
the Purchaser

By

Name:
Title:

PAN AMERICAN BANK, FSB,
the Company

By /s Blair F. Kenny

Name: Blair F. Kenny
Title: Senior Vice President

EXHIBIT A

MORTGAGE LOAN
PURCHASE AND INTERIM SERVICING
AGREEMENT

(attached)

EXHIBIT B

MORTGAGE LOANS

(attached)

EXHIBIT 10.100

WHOLE LOAN SALE AGREEMENT

This Whole Loan Sale Agreement: (The "Agreement") is made and entered into as of this 23rd day of December, 1998 by and between Fremont Investment & Loan, a California corporation ("Buyer") and UNITED PANAM MORTGAGE ("Seller"), with reference to the following facts:

A. Seller engages into the business of originating and selling real estate secured Loans.

B. Seller desires from time to time to sell Loans to Buyer, on the terms and subject to the conditions set forth in this Agreement.

C. Buyer desires from time to time to purchase the Loans from Seller on the terms and subject to the terms and conditions set forth in this Agreement.

D. Buyer and Seller desire to establish in this Agreement the terms and conditions on which Buyer may from time to time purchase Loans from Seller.

Buyer and Seller hereby agree as follows:

Section 1. Definitions. The following terms shall have the meaning set forth in this Section 1 for purposes of this Agreement and each Purchase Agreement (as hereinafter defined).

(a) "Agreement" means this Agreement.

(b) "Business Day" means any calendar day of the week other than (i) a Saturday or Sunday or (ii) a day on which banking institutions and/or thrift and loan institutions located in Los Angeles, California are authorized or obliged by law or executive order to be closed.

(c) "Buyer" means Fremont Investment & Loan, a California corporation.

(d) "Purchase Amount" means the amount of the maximum aggregate unpaid principal balance of Loans (as hereinafter defined) which Buyer shall be obligated to purchase from Seller under the terms of a Purchase Agreement (as hereinafter defined). The amount of the unpaid principal balance of each Loan so purchased shall be determined as of the time of the Delivery (as hereinafter defined) of each Loan.

(e) "Purchase Confirmation" means a written confirmation of a Purchase issued by Buyer to Seller.

(f) "Delivery" means delivery of a Loan to Buyer for purchase by Buyer pursuant to a Purchase Agreement and this Agreement.

(g) "Purchase Date" means the earliest date on which Loans may be delivered (as hereinafter defined) by Seller to Buyer under a Purchase, as set forth in the Purchase Confirmation.

(h) "Last Delivery Date" means the latest date on which a Loan may be delivered by Seller to Buyer under a Purchase Agreement.

(i) "Loan" means a real estate secured loan sold by Seller to Buyer pursuant to a Purchase.

(j) "Net Yield" means, for each Loan, the yield to Buyer on its purchase price for the Loan calculated on the basis set forth in this Agreement or any Purchase Agreement.

(k) "Note" means the promissory note that evidences a Loan, together with any riders, schedules or amendments modifying the same.

(l) "Permitted State" means any state or commonwealth of the United States of America or the District of Columbia which is designated in a Purchase Agreement as an acceptable jurisdiction in which a Loan may be originated and where the Property for the Loan may be situated.

(m) "Property" or "Secured Property" means the real Property that is encumbered by the Security Instrument for a Loan.

(n) "Purchase Agreement" means a letter agreement executed by Buyer and Seller subsequent to the execution of this Agreement specifying the aggregate total unpaid principal balance and number of Loans which Buyer agrees to purchase pursuant to the terms of this Agreement.

(o) "Purchase" means the Sale of Loans pursuant to a Purchase Agreement.

(p) "Required Net Yield" means the minimum net yield which a Loan shall bear to Buyer, as set forth in the Purchase Agreement.

(q) "Security Instrument" means the mortgage, deed of trust or deed to secure debt that secures repayment of a Loan together with any rider, schedules or amendments modifying the same.

(r) "Seller" means the party to this Agreement identified in the first paragraph of this Agreement as Seller.

(s) "Title Document" is a policy of Title Insurance in a form and amount acceptable to Buyer.

Section 2. The Purchase. Buyer may, at its election, from time to time, by the execution of a Purchase Agreement, purchase Loans from time to time offered by Seller for sale to Buyer, as to each Purchase on the terms and subject to the conditions set forth in this Agreement and in the Purchase Agreement. The Agreement of Buyer to Seller set forth in each Purchase Agreement for the purchase of Loans by Buyer from Seller shall cover and include only such as Loan as: (a) is in strict compliance with the terms and conditions set forth in the Purchase Agreement and this Agreement; (b) is approved by Buyer pursuant to the terms of Section 5 of this Agreement; and (c) is delivered to Buyer or Seller on or after the Purchase Agreement date and on or before the Last Delivery Date.

Section 3. Description of Loan. All Loans sold to Buyer pursuant to this Agreement shall conform to the following terms and conditions as to the Borrower on the Loan, the document evidencing and securing the Loan and the Property for the Loan:

(a) Loan Type. The Loan must qualify as a Real Estate Secured Loan acceptable in form and type to Buyer.

(b) Location of Property. The Property for the Loan shall be located in a Permitted State as set forth in the Purchase Agreement.

(c) Loan Documents. The Loan shall be evidenced by a Note in the form included as Exhibit "A"; shall be secured by a Security Instrument in the form included as Exhibit "B". Buyer shall have the right, at its election, on thirty days advance written notice to Seller, to substitute such forms of Note and/or Security Instruments and/or Information Disclosure Statements for Exhibit "A". Exhibit "B", as shall from time to time be required by state or federal law applicable to Buyer.

(d) Loan Yield. The payments for which initial provision is made in the Note, if any, for which provision is made therein, shall be sufficient in amount to bear a net yield to Buyer of not less than the required net yield as set forth in the Purchase Agreement.

(e) Loan Terms. As of the date of the delivery (as hereinafter defined) of the Loan, the Loan proceeds shall have been fully disbursed to the Borrower on the Loan and there shall have been no "repair holds" or similar withholdings of Loan proceeds to the Borrower on the Loan. The terms of the Loan shall provide for monthly payment to be made by the Borrower, all as more particularly set forth in the Note (Exhibit A). Each monthly payment shall be applied first to interest accrued to the date the payment is due and then to principal. Interest at the rate or rates provided for in the Note shall accrue on the entire unpaid principal balance of the Loan.

(f) Hazard Insurance. The Secured Property shall be covered by a policy of fire and extended coverage hazard insurance written by an insurer reasonably acceptable to Buyer and in an amount equal to the lesser of the original principal amount of the Loan or the replacement

value of the structural improvements situated on the Property. The policy shall have a Lender's loss payable endorsement in a form acceptable to Buyer.

(g) Compliance With Applicable Law. The Loan shall have been originated in full accordance with all applicable federal, state and local laws, rules, regulations and ordinances, including, without limitation, the Federal Consumer Credit Protection Act, as amended, and Regulation Z thereunder, the Federal Equal Credit Opportunity Act, as amended, and Regulation B thereunder, the National Flood Disaster Protection Act, as amended, the Federal Fair Credit Reporting Act, as amended, all applicable Permitted State statutes and regulations affecting Seller, and all applicable usury and interest rate limitation laws.

Section 4. Delivery and Payment.

(a) Delivery. For each Purchase Agreement, Seller shall deliver ("Deliver") Loans to Buyer (the "Delivery") without cost or expense to Buyer except as spec ifically provided to the contrary in this Agreement, at the main office of Buyer, or at such other place as Buyer may from time to time designate. Delivery of the Loans shall occur only upon delivery to Buyer of each of the following for each Loan:

(i) An approved credit report with respect to the Borrower on the Loan, dated not earlier than 90 days prior to the date of closing of the Loan, unless accompanied by an updated report, dated not earlier than 90 days prior to the date of delivery of the Loan; and a history of payments on the Loan, if the Loan was closed more than 60 days prior to the date of its delivery.

(ii) The original of the Note evidencing the Loan, endorsed by Seller, in form satisfactory to Buyer, to the order of Buyer.

(iii) The Borrower's original application for the Loan, a copy of the settlement statement or Loan closing statements issued in connection with the closing of the Loan, and all of the original documents, certifications and disclosures executed by the Borrower in connection with origination of the Loan.

(iv) The original of any and all Agreements affecting the terms of the Note evidencing the Loan, or affecting the Security Instrument securing the Loan, or affecting any of the liabilities or obligations of the Borrower or any successor-in-interest to the Property for the Loan.

(v) Verifications of employment of the Borrower and verifications of deposits of the Borrower, each dated not earlier than 90 days prior to the date of closing of the Loan, if applicable.

(vi) A statement, rating or other acceptable form to determine the payment status and history of the previous mortgage owned by the Borrower, including the property dated within 90 days of the closing date of the loan.

(vii) A policy of fire and extended coverage hazard insurance, written as set forth in Section 3(f) of this Agreement, with the premium prepaid thereon, in the sum satisfactory to Buyer with a Lender's loss payable endorsement in a form acceptable to Buyer.

(viii) A copy of the Truth-in-Lending disclosures issued in connection with the Loan, together with a copy of each Truth-in-Lending notice of right of rescission issued in connection with the Loan.

(ix) If any Borrower on the Loan executes the Note, Security Instrument or any other documents in connection with the Loan through the Borrower's attorney-in-fact, a certified copy of a recorded special power of attorney granted to such attorney-in-fact, in form and content acceptable to Buyer.

(x) Copies of all state-required fair lending, consumer protection or other notices and disclosures, as completed and delivered to the Borrower for the Loan.

(xi) The original policy of Title Insurance, or title commitment in an amount and form acceptable to Buyer.

(xii) Any and all such other documents as may reasonably be required of Seller by Buyer, in such form as may reasonably be required by Buyer with reasonable notice prior to the last delivery date.

(xiii) A statement of the amount of the purchase price for the Loan, calculated as set forth in the Purchase Agreement.

(xiv) The confirmation of recording of the Security Instrument securing the Loan, evidencing recordation in the county in which the Property for the Loan is situated.

(xv) The original of the assignment of the Security Instrument securing the Loan, duly executed by Seller, as assignor, in favor of Buyer, as assignee.

(xvi) A certificate of flood insurance, if required.

(xvii) A copy of Seller's letter to the Borrower for the Loan, advising the Borrower of the sale of the Loan to Buyer, in form and content acceptable to Buyer, and dated within five days prior to the delivery of the Loan to Buyer.

Notwithstanding standard trailing documents, the timely Delivery of all of the foregoing items for a Loan on or before the Last Delivery Date, whether with or subsequent to Delivery of the Loan shall be a condition subsequent of Delivery, and upon failure of such timely deliver, Seller agrees to repurchase the Loan from Buyer, without recourse and promptly upon demand of the Buyer, on the terms set forth in Section 11 of this Agreement.

(b) Approval and Rejection of Delivered Loans. Buyer, in its sole
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discretion, shall approve or reject each Loan delivered by the last delivery date, on the basis of: (i) compliance by Seller with all requirements for delivery set forth in Section 4(a) of this Agreement; (ii) conformity of the Loan with the requirements of Section 3 of this Agreement; (iii) legally enforceable Security Instrument for the Loan; and (iv) conformity of the Loan with the normal underwriting requirements of Buyer. Buyer shall have the right to inspect the Property for any Loan, or to cause such an inspection to be made and to determine if the Property is in conformity with the reasonable requirements of Buyer.

(c) Submission for Approval. Intentionally Deleted.

(d) Payment of Purchase Price. Buyer shall pay to Seller the purchase
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price for each Loan delivered pursuant hereto upon the Last Delivery Date, in immediately available funds as indicated on the Purchase Agreement, provided that for any Loan that has been approved by Buyer in accordance with Section 4(C) of this Agreement prior to Delivery.

The purchase price of the Loan shall be the sum of the unpaid principal balance of the Loan, multiplied by the purchase price factor (as set forth in the Purchase Agreement), plus all unpaid interest accrued on the unpaid principal balance of the Loan, calculated daily through the date of payment of the purchase price, reduced by the amount of the unearned portion of any prepaid interest of the Loan, and subject to such further computations and adjustments as are set forth in the Purchase Agreement.

Section 5. Servicing. Seller shall release all servicing rights, and all rights to receive servicing fees and other servicing and servicing-related income and benefits, with respect to each Loan delivered under this Agreement to and for the benefit of Buyer. Seller acknowledges and agrees that Buyer shall, from and after the Last Delivery Date, enjoy all servicing rights and all rights to receive servicing fees and other no residual, contingent or other claims thereon whatsoever remaining in Seller, except only at such time, if any, as Seller repurchases the Loan from Buyer pursuant to the terms of this Agreement. Seller hereby agrees to give written notice to the Borrower of the assignment of the Loan, acknowledgement of the release of such servicing rights and rights to receive servicing fees and other service and servicing-related income and benefits to Buyer, in form satisfactory to Buyer.

Section 6. General Covenants, Warranties and Representations of Seller. Seller hereby makes the following covenants, warranties and representations each of which Seller acknowledges

is a material inducement to Buyer to enter into this Agreement and to make commitments. In connection therewith, Seller acknowledges that Buyer intends to rely upon each such covenant, warranty and representation.

(a) Authorized Act of Seller, Etc. The execution of this Agreement by Seller and the performance of the obligations of Seller under this Agreement have been duly authorized by the Board of Directors of Seller, or are within the scope and coverage of a general authorization adopted by the Board of Directors of Seller which is in full force and effect and the application of which includes the officers of Seller signatory hereto: upon execution and delivery of this Agreement by Seller, the obligations of Seller under this Agreement will be the legal, valid and binding obligations of Seller, enforceable in accordance with the terms of this Agreement; Seller is not subject to any charter, by-law, indenture, mortgage, lien, lease agreement, instrument, order, judgment or decree, or any other restriction of any kind or character, which would prevent the consummation of the transactions contemplated by this Agreement; and the execution of this Agreement and the consummation of the transactions contemplated by this Agreement will not constitute a default under the provisions of any of the foregoing or result in a violation of any law, rule, regulation, order, judgement or decree to which Seller or its Property are subject. There is no litigation pending or, to Seller's knowledge, threatened, which, if determined adversely to Seller, would adversely affect, the execution delivery or enforceability of this Agreement, or the ability of Seller to perform all of its obligations under this Agreement or which would have a material adverse effect on the financial condition of Seller. In general, Seller carries a general loss reserve allocation on loans held in its portfolio. Seller holds all federal, state and other licenses, authorizations, approvals, orders and contracts, as are reasonably necessary to Seller's performance of its obligations under this Agreement in compliance with applicable law and secondary market requirements and is duly organized, validly existing, and in good standing under the laws of the United States, and any applicable Permitted State.

(b) Sale in the Ordinary Course of Business, Etc. The consummation of the transactions contemplated by this Agreement are in the ordinary course of business of Seller and are not subject to the bulk transfer or other similar statutory provision's in effect in any applicable jurisdiction.

(c) Delivery of Annual Financial Statements of Seller and Buyer. Concurrently with the delivery of this Agreement, Seller is delivering to Buyer and Buyer to Seller its statements of financial condition as of the last day of each of the fiscal years of Seller first and second prior to the date of this Agreement, and its statements of operations for the 12-month period then ended. Each of the foregoing financial statements are correct and complete, have been audited by independent certified public accountants, have been prepared in accordance with generally accepted principles consistently applied throughout the period involved, and present fairly the financial condition and results of operations of Seller as of the dates, and for the periods, covered thereby.

(d) No Broker or Finder. Seller has not employed or otherwise engaged any broker or finder in connection with the negotiation or execution of this Agreement; nor has Seller

conducted the negotiations with respect to this Agreement nor with respect to the transactions contemplated by this Agreement in such manner as to give rise to any claims against Buyer for any brokerage commission, finder's fees or similar payment.

(e) General Covenants, Warranties and Representation of Seller.

(i) The Note, the Security Instrument, the Assignment of Security Instrument and any other documents required to be delivered under this Agreement for each Loan have been delivered to Buyer and any documents required to be delivered to Buyer after the Closing Date of this Agreement shall be delivered to the Buyer.

(ii) Subject to the effect of this Agreement and the documents executed pursuant hereto, as of the date of delivery Seller is the owner of record of each Loan and the indebtedness evidenced by each Note.

(iii) The origination and collection practices used by the Seller with respect to each Loan have been in all respects legal and prudent and in compliance with all federal, and applicable Permitted State laws, including without limitation, the federal Equal Credit Opportunity Act, Regulation B, the federal Fair Debt Collection Practices Act, and where applicable, the Robbins-Rosenthal Fair Debt Collection Practices Act.

(iv) The Loans were selected without prejudice from among the outstanding Loans in the Seller's portfolio as to which the covenants, representations and warranties set forth in this Section 6 and Section 7 are applicable.

Section 7. Covenants, Warranties and Representations of Seller with Respect to Loans. With respect to each Loan delivered or to be delivered by Seller to Buyer hereunder, Seller hereby makes the following covenants, warranties and representations, each of which (i) shall be deemed to be made anew by Seller, both at the time of offering the Loan for purchase to Buyer and at the time of Delivery of the Loan to Buyer, and (ii) Seller acknowledges that Buyer intends to rely upon each such covenant, warranty and representation.

(a) Terms of Loan, Etc. The Loan conforms in every material respect to the requirements of Section 3 of this Agreement. The terms of the Note and/or Security Instrument pertaining to the Loan have not been impaired, waived, altered or modified in any respect and no instrument of waiver, alteration or modification has been executed with respect to the Note or Security Instrument pertaining to the Loan except as otherwise approved by Buyer in writing. The Note and Security Instrument pertaining to the Loan are not subject to any right of rescission, setoff, counter-claim or defense, nor will the operation of any of the terms of the Note or Security Instrument, or the exercise of any right thereunder, render the Note or Security Instrument unenforceable, in whole or in part, or subject to any right or rescission, setoff, counter-claim or

defense. The Security Instrument pertaining to the Loan has not been satisfied, cancelled or subordinated, in whole or in part, or rescinded, and the Property for the Loan has not been released from the lien of the Security Instrument, in whole or in part, nor has any instrument been executed that would effect any such release, cancellation, subordination or rescission. The Note for the Loan is not and has not been secured by any collateral except the lien of the corresponding Security Instrument. In the event the Security Instrument constitutes a deed of trust, a trustee, duly qualified under applicable law to serve as such, has been properly designated and so serves under the deed of trust, and no fees or expenses are or will become payable by Buyer to such trustee, except in connection with an occurrence following the date of Delivery of the Loan.

(b) No Defaults, Etc. To the best of Seller's knowledge, there are no defaults of any kind existing on the part of the Borrower under the Loan or the Note and/or Security Instrument pertaining to the Loan. There has been no delinquency of more than thirty (30) days in any payment by the Borrower on the Loan during the twelve (12) month period immediately preceding delivery of the Loan.

(c) Compliance with Applicable Law. The Loan, the Note, the Security Instrument and all documents ancillary thereto are the legal, valid and binding obligations of the Borrower under the Loan, and are enforceable in accordance with their respective term and in full force and effect in accordance with all applicable federal, state and local laws, rules, regulations and ordinances, including, without limitation, the Federal Consumer Credit Protection Act, as amended, the Federal Truth-in-Lending Act, as amended, and Regulation Z thereunder, the Federal Equal Credit Opportunity Act, as amended, and Regulation B thereunder, the National Flood Insurance Act, as amended, the Federal Flood Disaster Protection Act, as amended, the Federal Fair Credit Reporting Act, as amended, all applicable federal and state laws and regulations including, without limitation all applicable usury and interest rate limitation laws.

(d) Condition of Property. No facts have come to the attention of Seller which would or should lead Seller to believe that there has been any physical damage or deterioration to the Property for the Loan, or that the Property is unoccupied, or is not occupied by the Borrower (if the commitment requires that the Loan be an owner-occupied Loan), or that the Property has not been constructed or is not being maintained in full accordance with applicable zoning and building codes, regulations and ordinances.

(e) No Advances. Seller has not, and to the best of Seller's knowledge no other person has, advanced any funds for and on behalf of the Borrower on the Loan for the purpose of enabling the Borrower to make any required payments of principal or interest on the Loan, or any tax, insurance, special assessment, sewer, utility or similar payments with respect to the Property.

(f) No Litigation. There is no pending litigation and, to the best of Seller's knowledge, no threatened litigation which may affect in any way, by attachment or otherwise, the title or interest of Seller in and to the Note, the Security Instrument or the Property for the Loan.

(g) No Encroachments or Impairments. There are no encroachments or material impairment of the value or marketability of the Loan, the Note, the Security Instrument or the Property for the Loan.

(h) Insurance in Effect. All policies of title insurance, hazard insurance, and flood insurance, if applicable, respecting the Loan or the Property for the Loan are in full force and effect, have been issued by sound and financially responsible insurance companies duly licensed and qualified to transact business in accordance with the specific requirements of Section 3 of this Agreement for hazard insurance, all such insurance coverage or insurers insure Seller, among others, as the owner of the Loan as loss payee thereunder and there are, to the best of Sellers knowledge, no facts or circumstances which could provide a basis for revocation of any of the polices or defense to any claim or claims made thereon.

(i) No Condemnation. Seller does not have any knowledge of any existing, proposed or intended condemnation or taking of all or any portion of the Property for the Loan, pursuant to the power of eminent domain, or any proposed transfer in avoidance of the exercise of such power, or of any other facts or circumstances which might tend to affect the value or marketability of the Loan or of the Property for the Loan or the Borrower's ability punctually to perform all of his duties and obligations under the Loan, including timely payment of all installments of principal and/or interest thereunder, as applicable.

(j) Knowledge of Other Circumstances, Etc. Seller has no knowledge of any circumstances or conditions with respect to the Loan or the Note or Security Instrument pertaining to the Loan, the Borrower under the Loan or such Borrower's credit standing that can reasonably be expected to cause private institutional investors to regard the Loan as an unacceptable investment, cause the Loan to become delinquent or adversely affect the value or marketability of the Loan.

(k) Covenants True and Not Misleading. No covenant, representation or warranty by Seller in this Agreement or in any written statement, exhibit or certificate furnished to Buyer pursuant to this Agreement or in connection with any sale of any Loan to Buyer by Seller contains or will contain any untrue statement of any material fact, or omits or will omit to state any material fact necessary to make the statements contained therein not misleading. Each and all of the foregoing covenants, warranties and representations by Seller shall continue and survive the Purchase by Buyer and the delivery to Buyer of each and all of the Loans to which they pertain, with respect to each Loan, until the Loan has been paid in full.

(l) Unless otherwise specifically stated hereunder, as of the Delivery and with respect to each Loan:

(i) All payments required to be made up to the date 30 days prior to the Date specified in the Purchase Agreement on such Loans have been made, the Seller has not advanced funds, or induced, solicited or knowingly received any advance of

funds from a party other than the owner of the Property subject to the Loan, directly or indirectly, for the payment of any amount required by the Loan.

(ii) The terms of the Note and the Security Instrument have not been impaired, waived, altered or modified in any respect. No instrument of waiver, alteration or modification has been executed, and no Borrower has been released, in whole or in part, except in connection with an assumption agreement, which assumption agreement is part of the Loan file and the terms of which are reflected in the Purchase Agreement agreed to by Buyer.

(iii) The Note and the Security Instrument are not subject to any set-off, counterclaim or defense including the defense of usury, nor will the operation of any of the terms of the Loan and the Security Instrument, or the exercise of any right thereunder, render the Note and the Security Instrument unenforceable, in whole or in part, or subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury and no such right of rescission, set-off, counterclaim or defense has been asserted with respect thereto.

(iv) Any and all requirements of any federal, state or local law applicable to the Loan have been complied with.

(v) The Security Instrument has not been satisfied, cancelled or subordinated, in whole, or rescinded, and the Property has not been released from the lien or the Security Instrument, in whole or in part, nor has an instrument been executed that would effect any such release, cancellation, subordination or rescission.

(vi) The Seller has a valid, subsisting and enforceable lien on the Property, including the land and all buildings on the Property.

(vii) The Note and the related Security Instrument are genuine and each is the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights in general and by general principles of equity.

(viii) All parties to the Note and the Security Instrument had legal capacity at the time to enter into the Loan and to execute and deliver the Note and the Security Instrument, and the Note and the Security Instrument have been duly and properly executed by such parties.

(ix) The proceeds of the Loan have been fully disbursed and there are no requirements for future advances thereunder, any and all requirements set forth in the Loan documents have been complied with.

(x) The Note and the Security Instrument have not been assigned or pledged, and as of the Last Delivery Date, Seller has good and marketable title thereto, as sole owner, except for normal warehousing purposes.

(xi) To the best of the Seller's knowledge, there is no default, breach, violation or event of acceleration existing under the Security Instrument or the related Note and there is no event which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach, violation or event of acceleration; and the Seller has not waived any default, breach, violation or event of acceleration.

(xii) To the best of the Seller's knowledge, there is no proceeding pending for the total or partial condemnation of the Property.

(xiii) The related Security Instrument contains customary and enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the realization against the Property of the benefits of the security provided thereby, including, (i) in the case of a Security Instrument designated as a deed of trust, by trustee's sale, and (ii) otherwise by judicial foreclosure.

(xiv) The related Note is not and has not been secured by any collateral except the lien of the corresponding Security Instrument.

(xv) If the Security Instrument constitutes a deed of trust, a trustee, duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in the Security Instrument, or a valid substitution of trustee has been recorded or may be recorded and no extraordinary fees or expenses are or will become payable to the trustee under the deed of trust, except in connection with default proceedings and a trustee's sale after default by the Borrower.

(xvi) The Seller has no knowledge of any circumstances or conditions not reflected in the representations set forth herein, or in the Loan File with respect to the Loan, the Property or the

Borrower which in the Seller's opinion could reasonably be expected to materially and adversely affect the value of the Property, or the marketability of the Loan or cause the Loan to become delinquent or otherwise in default.

(xvii) The Property is located in a Permitted State as designated in the Purchase Agreement.

(xviii) The Loan is sub-serviced for the Seller by Ocwen.

Section 8. Warranties and Representations of Buyer. Buyer hereby makes the following warranties and representations, each of which shall be deemed to be made anew by Buyer at the date of purchase by Buyer of each Loan purchased pursuant to the commitment.

(a) Authorized Act of Buyer. The execution and Delivery of this Agreement by Buyer, and the performance by Buyer of its obligations under this Agreement, have been duly authorized by the Board of Directors of Buyer, or are within the scope and coverage of a general authorization adopted by the Board of Directors of Buyer which is in full force and effect and the application of which includes the officers of Buyer signature hereto. Upon execution and Delivery of this Agreement by Buyer, and acceptance pursuant to the terms set forth in this Agreement by Seller, the obligations of Buyer of this Agreement will be the legal, valid and binding obligations of Buyer, enforceable against Buyer in accordance with the terms of this Agreement.

(b) No Broker or Finder. Buyer has not employed or otherwise engaged any broker or finder in connection with the negotiation or execution of this Agreement; nor has Buyer conducted the negotiations with respect to this Agreement or with respect to the transactions contemplated by this Agreement in such manner as to give rise to any claims against Seller brokerage commission, finder's fee or similar payment.

(c) Regulatory Authority. Performance by Buyer under the commitment is consistent with federal and state laws, rules and regulations applicable to Buyer.

Section 9. Purchase Fee. Seller shall pay Buyer, in consideration of each Purchase, a nonrefundable fee in an amount set forth in the Purchase Agreement payable concurrently with the execution of the Purchase Agreement. Payment of such nonrefundable fee shall not affect the calculation of the purchase price under Section 4(d) of this Agreement.

Section 10. Certain Repurchase Obligations of Seller. As a material inducement to Buyer to purchase the Loans, Seller hereby unconditionally agrees, in the event of any breach of any covenant, warranty or representation arising under Section 6 or Section 7 of this Agreement, to repurchase the affected Loans from Buyer, without recourse and promptly upon demand of Buyer, at a price equal, for each Loan, to the sum of the unpaid principal balance thereof, multiplied by the Purchase Price Factor (as set forth in the Purchase Agreement), plus all accrued and unpaid interest accruing thereon to the date of repurchase, reduced by the amount of the unearned portion of any unpaid interest on the Loan. Upon repurchase, Buyer shall deliver to Seller the Notes evidencing the Loans repurchased, the Security Instruments securing the Loans repurchased and related documents and materials covering the Loans repurchased. Seller shall fully reimburse Buyer immediately upon the demand of Buyer for all out-of-pocket costs and expenses incurred by Buyer in connection with any actions taken by Buyer with respect to the repurchase of any Loans under this Section 10, including, without limitation, Buyer's reasonable attorneys' fees.

Section 11. Opinion of Counsel. Intentionally Deleted.

Section 12. Scope of Agreement. This Agreement shall govern the purchase by Buyer and the sale by Seller of all Loans so purchased and sold pursuant to the Purchase Agreement, subject as to each Purchase, only to such additional, alternative or mandatory terms and provisions of this Agreement as are set forth in the Purchase Agreement.

Section 13. Board of Directors Resolutions of Seller. Concurrently with the delivery of this Agreement by Seller to Buyer, Seller shall deliver to Buyer, or not later than the first delivery or submission for approval of any Loan hereunder and within 45 days from the execution of this Agreement, Seller will deliver to Buyer, a copy of resolution of the Board of Directors of Seller, certified by the secretary of Seller, to the effect that the execution of this Agreement by Seller and the performance of the obligations of Seller under this Agreement have been duly authorized by the Board of Directors of Seller, or are within the scope and coverage of a general authorization adopted by the Board of Directors of Seller which is in full force and effect and the application of which includes the officers of Seller signatory hereto.

Section 14. Miscellaneous Provisions.

(a) Expenses. Except as specifically provided to the contrary in this Agreement, Buyer and Seller shall each bear his own costs and expenses in connection with the negotiation and preparation of this Agreement and the performance by each of Buyer and Seller of its respective obligations arising under this Agreement.

(b) No Waiver. Buyer may, at its sole option, waive any of its rights, powers or remedies under this Agreement only by an instrument executed in writing by a duly authorized officer. No waiver of any default or breach by Seller hereunder shall be implied from any omission by Buyer to take any action on account of such breach or default if the breach of default continues or is repeated. No express waiver under this Section 14(b) shall affect any default or breach other than the default specified in the waiver, and the waiver shall be operable only for the time and to the extent therein expressly stated. Any forbearance or delay by Buyer in exercising any right, power or remedy under this Agreement shall not be deemed a waiver thereof, and any single or partial exercise of any right, power or remedy shall not preclude the further exercise thereof.

(c) No Limitation of Remedies. Buyer and Seller each expressly declines to limit its remedies under this Agreement to recourse under the terms of this Agreement, including, without limitation, as to Buyer, the terms of Section 10 of this Agreement, and in connection therewith Buyer and Seller acknowledge and agree that in the event of a breach of this Agreement by either party, the other shall be entitled to pursue any and every remedy available to it at law or in equity, as well as any and every remedy available to it under this Agreement, and to that end all of such remedies shall be deemed cumulative and not exclusive. Without limitation upon the generality of the foregoing, Buyer and Seller acknowledge and agree that, if Seller breaches Seller's obligation under Section 4 of this Agreement to deliver Loans pursuant to the terms of the Purchase Agreement, Buyer shall be entitled to pursue any and every of the foregoing remedies.

(d) Integration, Etc. The making, execution and delivery of this Agreement by each of Buyer and Seller have not been induced by any covenants, warranties, representations or agreements other than those set forth in this Agreement. The entire understanding of the parties with respect to the subject of this Agreement is embodied in this Agreement, and there are no further or other agreements or understandings, written or oral, in effect between the parties relating to the subject matter of this Agreement, unless expressly referred to by reference in this Agreement. This Agreement may be amended or modified only by a writing executed by the duly authorized officers of Buyer and Seller.

(e) Severability and Applicable Law. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited or invalid under applicable law, the provision shall be ineffective to the extent of the prohibition or invalidity without invalidating the remainder of the provisions or the remaining provisions of this Agreement. This Agreement shall be governed by and construed under the laws, rules and regulations relating to thrift and loan associations; provided however, that, to the extent that this Agreement shall be deemed to be governed by or construed under state law, this Agreement shall be governed by and construed under the laws of the State of California.

(f) Attorney's Fees. In the event of the bringing of any action or suit by either Buyer or Seller against the other, by reason of any breach of any provision of this Agreement, on the part of the other, then and in that event the party in whose favor final judgment shall be entered by a court of competent jurisdiction shall be entitled to have and recover of and from the other party to this Agreement all costs and expenses of suit, including court costs and actual attorneys' fees incurred.

(g) Notices. Any notices, requests, demands, payment or other communication under this Agreement shall be in writing and shall be deemed to have been duly given if delivered in person or by United States Mail, certified or registered, with return receipt requested, or otherwise actually delivered:

(i) If to Buyer, to:

Fremont Investment & Loan
175 North Riverview Drive
Anaheim, California 92808

Attention: Kyle Walker
Senior Vice President

(ii) If to Seller, to:

____

____

____

Attention:___________________________

____

or to such other address or addresses as may be furnished in writing by either party, and such notice or communication shall be deemed to have been given as of the date so mailed or actually delivered.

(h) Assignments. All of the terms and conditions of this Agreement shall be binding upon and inure to the benefit of Buyer and Seller and their respective successors and assigns; provided, however, that Seller shall neither assign nor delegate any of its rights, privileges or duties arising under this Agreement without the prior written consent of Buyer, and any attempted or purported assignment or delegation without prior written consent shall be null and void abinitio and constitute a material breach and default by Seller of its obligations under this Agreement.

(i) Termination. This Agreement shall be terminated only by thirty (30) calendar days' written notice of such termination given by either party to the other. Such notice shall not require any cause. This Agreement shall continue in full force until such notice is given and thirty (30) calendar days then elapse, after which time this Agreement shall be terminated for all purposes except unsatisfied Purchase then outstanding as well as all Loans thereafter delivered, substituted, repurchases, etc., thereunder and except with regard to Loans heretofore sold to Buyer with respect to which the covenants, warranties and representations of Seller set forth in Sections 6 & 7, inter alia, shall survive termination.

(j) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of Buyer and Seller has executed this Agreement as of the date first above written.

FREMONT INVESTMENT & LOAN
("Buyer")

By: /s/ [SIGNATURE ILLEGIBLE]

Title:

UNITED PANAM MORTGAGE
("Seller")

By: /s/ Blair F. Kenny

Title: Senior Vice President

By: /s/ [SIGNATURE ILLEGIBLE]

Title: President

EXHIBIT 10.101

PAN
AMERICAN

BANK, FSB

December 8, 1998

Mr. Ray C. Thousand
30 Bridge Port Road
Newport Beach, CA 92657

Re: Employment Agreement

Dear Mr. Thousand:

This letter agreement and attachments hereto, (collectively the "Agreement") set forth the terms and conditions of your employment with Pan American Bank, FSB (the "Bank") and its subsidiary, United Auto Credit Corporation ("UACC"), both of which may be referred to interchangeably hereinafter as "Employer." By signing this Agreement, you will be agreeing to these terms. It is important that you understand clearly both what your benefits are and what is expected of you by Employer. The effective date of this Agreement (the "Effective Date") shall be as of December 8, 1998.

1. Term. This Agreement shall have a term of three (3) years, commencing as of the Effective Date (the "Term"). Where used herein, "Term" shall refer to the entire period of your employment by Employer from and after the Effective Date, whether for the period provided above or as extended or terminated earlier as hereinafter provided.

2. Duties. You shall hold the office of President of the Bank's automobile finance subsidiary UACC. You shall perform the duties customarily performed by individuals holding a similar title with other financial institutions or as otherwise may be agreed upon by the Bank and you from time to time. During the Term hereof, you shall perform the services herein contemplated faithfully, diligently and to the best of your ability, in compliance with instructions and policies of the Bank's senior management, the Bank's Board of Directors, the Bank's Federal Charter and Bylaws and with all applicable laws and regulations.

3. Compensation.

   a) Base Salary. For your service rendered to the Bank or any subsidiary corporation hereunder, during the Term hereof, the Bank shall pay or cause to be paid a base salary to you at the rate of $170,000 per annum from December 8, 1998 to December 7, 1999, $175,000 per annum from December 8, 1999 to December 7, 2000 and $180,000 per annum from December 8, 2000 to December 7, 2001, payable in conformity with the Bank's normal payroll periods and procedures.

b) Bonus. In addition to the base salary provided for under Section 3(a) above, you shall be entitled to annual bonus compensation in accordance with the incentive compensation formula set forth in Exhibit A to this Agreement. Among other things, the incentive compensation formula establishes certain performance criteria and sales objectives by which the amount of your bonus compensation, if any, is to be determined.

c) Automobile Allowance. The Bank shall provide you during the Term of this Agreement with an automobile allowance of Two Hundred Dollars ($200) per month.

d) Options. Options will vest according to the separate INCENTIVE OPTION AGREEMENT dated March 25, 1998.

4. Other Benefits. During the Term hereof and unless otherwise agreed to by the Bank and you:

a) Vacation. You shall be entitled to a total of three (3) weeks paid vacation, the amount and term of which shall be determined in accordance with the policies of Employer as in effect from time to time.

b) Group Medical, Life Insurance and Other Benefits. You will be eligible for the medical, dental, vision, life insurance and long-term disability plans that are generally applicable to your employment classification.

5. Business Expenses. You shall be entitled to reimbursement by Employer for any and all ordinary and necessary business expenses reasonably incurred by you in the performance of your duties and in acting for Employer during the Term of this Agreement, provided that you furnish to Employer adequate records and other documentation as may be required for the substantiation of such expenditures as a business expense of the Bank.

6. Termination.

a) Termination for Cause. The Bank's Board may for cause terminate your employment at any time during the Term of this Agreement. In such event, all of your rights under this Agreement shall terminate and you shall have no right to receive compensation, and other benefits shall cease for any period after the effective date of such termination for cause. Bonus compensation unpaid shall be forfeited. Termination for cause shall be defined as your personal dishonesty, willful misconduct, breach of fiduciary or duty of loyalty, continuing intentional or habitual failure to perform stated duties, violation of any law (other than minor traffic violations or similar misdemeanor offenses), rule or regulation adopted by the Office of Thrift Supervision, Federal Deposit Insurance Corporation or

other regulatory agency with jurisdiction over the Bank, any judgment, ruling or decree by any court of competent jurisdiction or administrative body that precludes or impairs your ability to perform the services contemplated by this Agreement or any material breach by you of any provision of this Agreement.

b) Termination Without Cause. Employer may terminate your employment without cause at any time during the Term of this Agreement. In the event that the Bank terminates your employment without cause, you shall be entitled to receive as severance compensation an amount as provided in Exhibit B. The severance payment under this Section 6(b) shall be provided in a lump sum or, at your election, in equal monthly installments for a period not to exceed six (6) months from the date of termination. This payment shall be in lieu of any and all other compensation due under the agreement unless previously vested or earned, except the amount of any bonus compensation payable to you under Section 3(b) hereof, shall be prorated through the date of termination.

c) Compliance with Law and Regulation. You and Employer, expressly acknowledge and agree that any payments made to you pursuant to this Agreement or otherwise are subject to and conditioned upon compliance with 12 U.S.C. Section 1828(k) and any regulations promulgated thereunder.

d) Suspension and Removal 0rders. If you are suspended and/or temporarily prohibited from participating in the conduct of Employer's affairs by notice served under Section 8(e)(3) or 8(g)(1) of the Federal Deposit Insurance Act (12 U.S.C. Section 1818 (e)(3) and (g)(1)), the Bank's obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceeding. If the charges in the notice are dismissed, the Bank may in its discretion: (I) pay you all or part of the compensation withheld while its obligations under this Agreement were suspended; and (ii) reinstate (in whole or in part) any of its obligations which were suspended. If you are removed and/or permanently prohibited from participating in the conduct of Employer's affairs by an order issued under Section 8(e)(4) or 8(g)(l) of the Federal Deposit Insurance Act (12 U.S.C. Section 1818(e)(4) or (g)(1)), all obligations of the Bank under this Agreement shall terminate as of the effective date of the order, but vested rights of the parties shall not be affected.

e) Termination by Default. If Employer is in default (as defined in Section 3(x)(1) of the Federal Deposit Insurance Action (12 U.S.C. Section 18133(x)(l)), all obligations under this Agreement shall terminate as of the date of default, but vested rights of the parties shall not be affected.

f) Supervisory Assistance or Merger. All obligations under this Agreement shall be terminated, except to the extent that it is determined that continuation of the Agreement is necessary for the continued operation of Employer: (i) by the Director of the Office of Thrift Supervision (the "Director") or his or her designee, at the time that the Federal Deposit Insurance Corporation enters into an agreement to provide assistance to or on behalf of Employer under the authority contained in Section 13(c) of the Federal Deposit Insurance Act (12 U.S.C. Section 1823(c)); or (ii) by the Director or his or her designee, at the time that the Director or his or her designee approves a supervisory merger to resolve problems related to the operation of Employer or when Employer is in an unsafe or unsound condition. All rights of the parties that have already vested, however, shall not be affected by such action.

g) Disability. In the event that you shall fail, because of illness, incapacity or injury, to render the services contemplated by this Agreement for three (3) consecutive calendar months, or for shorter periods aggregating four (4) months in any twelve (12) month period, your employment hereunder may be terminated by written notice from Employer to you. In the event that your employment is terminated under this Section 6(g), you shall receive the difference between any disability payments provided through insurance plans offered by Employer, if any, provided you have enrolled in such plans and paid the cost thereof, and your base salary asset forth in Section 3(a) hereof, for six months after notice from Employer, plus the amount of any bonus compensation payable to you under Section 3(b) hereof, prorated through the date of termination. Such termination shall not affect any rights which you may have pursuant to any insurance or other death benefit, or any stock option plans or options thereunder, which rights shall continue to be governed by the provisions of such plans and arrangements.

h) Death. If your employment is terminated by reason of your death, this Agreernent shall terminate without further obligations of Employer to you (or your heirs or legal representatives) under this Agreement, other than for payment of: (i) your base salary (as set forth in Section 3(a) hereof) through the date of termination; (ii) the amount of any bonus compensation payable to you under Section 3(b) above, prorated through the date of termination; (iii) any compensation previously deferred by you; (iv) any accrued vacation and/.or sick leave pay; and (v) any amounts due pursuant to the terms of any applicable welfare benefit plan. All of the foregoing amounts shall be paid to your estate or beneficiary, as applicable, in a lump sum in cash within thirty (30) days after the date of termination or earlier as required by applicable law.

7. Disclosure or Use of Employer's Trade Secrets. During the Term hereof, you will have access to and become acquainted with what you and Employer acknowledge are trade secrets or confidential or proprietary information of Employer (including but not limited to products, employees, practices, policies or process). You shall not use or disclose any trade secrets, confidential or proprietary information, directly or indirectly, or cause them to be used or disclosed in any manner, except as may be required or requested by Employer, by court order or under applicable law or regulation. This paragraph shall survive the termination of this agreement.

8. Return of Documents. You expressly agree that all manuals, documents, files, reports, studies or other materials used and/or developed by you for Employer during the Term of this Agreement or prior thereto while you were employed by Employer are solely the property of Employer, and that you have no right, title or interest therein. Upon termination of this Agreement, you or your representative shall promptly deliver possession of all such materials (including any copies thereof) to Employer.

9. Notices. All notices, demands or other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered in person, or sent by United States mail, certified or registered, with return receipt requested, if to you, addressed to you at your last address residence as shown in the records of Employer, and if to Employer, addressed to the President of Employer at Employer's principal office.

10. Governing Law and Jurisdiction. This Agreement, the legal relations between the parties and any action instituted by any party arising under or in connection with this Agreement, shall

be governed by and interpreted in accordance with the laws of the State of California.

11. Arbitration. Any dispute, controversy or claim arising out of or in respect of this Agreement (or its validity, interpretation or enforcement), the employment relationship or the subject matter hereof shall at the request of either party be submitted to and settled by arbitration conducted at a mutually convenient office of the Judicial Arbitration & Mediation Services, Inc. ("JAMS"). Employer and Employee may agree on a retired judge from the JAMS panel. If they are unable to agree upon a retired judge, JAMS will provide a list of three available judges and each party may strike one. If two of the three judges are stricken, the remaining judge will serve as arbitrator. If two arbitrators remain, the first judge listed shall serve as arbitrator. Employer and Employee agree that arbitration must be initiated within two years after the claim breach occurred and that the failure to initiate arbitration within the two-year period constitutes an absolute bar to the institution of any new proceedings related to such alleged breach. The aggrieved party can initiate arbitration by sending written notice of any intention to arbitrate by registered or certified mail to all parties and to JAMS. The notice must contain a description of the dispute, the amount involved and the remedy sought. The prevailing party in such proceeding will be entitled to the reasonable attorneys'

fees and expenses of counsel and costs incurred by reason of such arbitration..

12. Benefit of Agreement. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that you may not assign any interest in this Agreement without the prior written consent of Employer.

13. Captions. Captions and paragraph heading used in this Agreement are for convenience only and shall not be used in interpreting this Agreement.

14. Entire Agreement. This Agreement contains the entire agreement of the parties with respect to your employment by Employer, and it expressly supersedes any and all other agreements, either oral or written, relating thereto.

15. Severability. Should any provision of this Agreement for any reason be declared invalid, void or unenforceable by a court of competent jurisdiction, the validity and binding effect of any remaining portions of this Agreement shall remain in full force and effect as if this Agreement had been executed with such invalid, void or unenforceable provisions eliminated; provided, however, that the remaining provisions still reflect the intent of the parties to this Agreement.

16. Amendments. This Agreement may not be amended or modified except by a written agreement signed by you and the President of the Bank. This Agreement and any amendment thereof may be executed in counterparts.

17. Non-Solicitation. Employee agrees that for a period of one year after the termination of employment, except in the case of a termination pursuant to Section 6(b) hereof, Employee will not, on behalf of the Employee or on behalf of any other individual, association or entity, call on any of the customers of Employer for the purpose of soliciting or inducing any of such customers to acquire (or providing to any of such customers) any product or service provided by Employer, nor will Employee in any way, directly or indirectly, as agent or otherwise, in any other manner solicit, influence or encourage such customers to take away or to divert or direct their business to Employee or any other period or entity by or with which Employee is employed, associated, affiliated or otherwise related.

18. Employees. Employee agrees that for a period of two years after the termination of Employee's employment, except in the case of termination pursuant to Section 6(b) hereof, Employee will not, directly or indirectly, disrupt, damage, impair, or interfere with Employer's business by soliciting, influencing, encouraging or recruiting any employee of Employer to work for Employee or any Employee Related Entity.

We look forward to your continued successful association with the Bank. In order to confirm your agreement with and acceptance of the terms and conditions set forth above, please sign and date one copy of this Agreement where indicated below and return it to the Bank's Human Resources Department. The other copy is for your records.

Very truly yours,

/s/ Lawrence J. Grill

Lawrence J. Grill
President and CEO

I agree to the terms of employment set forth in this Agreement subject to approval of the Pan American Bank Board of Directors.

/s/ Ray C. Thousand 1/28/99

____________________ ______________________________
Employee Date

EXHIBIT A
Bonus Calculations

GOALS

	December 31, 1999
Volume for at least one month	$10,000,000
Pre-tax profit	$ 4,600,000
Average delinquency (30+ contractual) of less than	2.25%
Average net charge-off (charge-offs vs. average O/S for the period) less than	5.25%

BONUS

Bonus will be calculated as follows:

Year 1

25% of base salary if pre-tax profit of $3,450,000 is achieved and all other goals are essentially met.
50% of base salary if pre-tax profit of $3,680,000 is achieved and all other goals are essentially met.
75% of base salary if pre-tax profit of $4,140,000 is achieved and all other goals are essentially met.
100% of base salary if pre-tax profit of $4,600,000 is achieved and all other goals are essentially met.

The bonus calculation, including the amounts to be used for the goals as set forth above, shall be mutually agreed upon in years 2 and 3 based on the approved budget for UACC.

"Pre-tax profit" shall be used upon the amount reflected in the Bank's internal financial statements for UACC without any allocation for Bank Corporate overhead, but including Cost of Funds charged by the Bank at 7% and assuming 6 to 1 leverage.

Attainment of goals/bonus assumes that there are no material changes in policy by the Bank that might materially affect or limit the Auto Finance Division Business Plan. If any material changes in policy are made by the Bank, and not concurred in by you, then goals and bonus calculation will be adjusted accordingly upon mutual agreement of the parties.

Employee must be on the payroll at the end of the calendar year to be eligible for payment of a bonus regardless of length of service or reason for termination or resignation unless provided for specifically in the Employment Agreement. If the Employee is discharged by the Company for "Willful Misconduct" or any other reasons set forth in paragraph 6(a) of the

Employment Agreement, any right of the Employee to a bonus shall be forfeited even if the employee is on the payroll at the end of the calendar year.

Bonus payments will be made within 60 days after the end of the calendar year allowing for the review of the results of operations.

EXHIBIT B
Severance Compensation
Upon Termination Without Cause
Pursuant to 6(b)

If termination occurs during the first two years of the term of this contract, the payment shall be equal to twelve (12) months salary at the then current base salary and prorated bonus.

If termination occurs in the third year, the amount paid shall be the actual amount of total months base salary remaining to be paid to the end of the term of the contract and prorated bonus.

EXHIBIT 10.102

Pan American

Bank, FSB

San Mateo, California

Service Agreement Between FPS GOLD/(R)/
And Pan American Bank, FSB
June 5, 1998

FPS GOLD/(R)/
ON-LINE COMPUTER SERVICE AGREEMENT

This Agreement dated June 19, 1998, is made and entered into between DHI Computing Service, Inc., a Utah corporation, doing business through a division known as FPS GOLD (hereinafter referred to as "FPS"), and the following user (hereinafter referred to as "User") of the computer services described herein:
<TABLE>

<S>	<C>
User's Name:	Pan American Bank, FSB.
Address:	1300 South El Camino Real Suite 320
City, State, Zip Code:	San Mateo, CA 94402-2962
Telephone:	650-345-1800

</TABLE>

This agreement sets forth the terms and conditions under which FPS shall process data for the User and provide related services as herein set forth. In consideration of the mutual promises set forth herein, the parties agree as follows:

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1. SERVICES

1.1 Connection of Remote Units to CPU. FPS has central processing computer equipment ("CPU") capable of communicating with FPS-approved in-house electronic computer equipment ("remote units") in an on-line mode. The equipment presently constituting the CPU and the related computer equipment of FPS which is integral to FPS' utilization of the CPU for the benefit of User is described in Exhibit "A." Pursuant to this Agreement, FPS will permit the User to connect its remote units to the CPU and receive the services and the reports described in this Agreement. The remote units which the User presently has available to it or which the User will promptly acquire are also set forth in Exhibit "A." Such remote units are approved by FPS as being of the type capable of transmitting data to and receiving reports from FPS and functioning as remote units under this Agreement.

1.2 Reports and Services; Data Transmission. FPS agrees to process data transmitted to it by the User and with the data base thereby produced to provide the User with reports and services described in Exhibit "B." Standard reports and services described in Exhibit "B" shall be provided automatically and optional reports and services described in Exhibit "B" shall be provided upon the User's written request. The User agrees to transmit and deliver to FPS' processing center the data required for FPS to process such data and produce said reports. The data shall be transmitted and delivered in the format reasonably designated and approved by FPS. The User assumes full responsibility for the timely and accurate transmission and delivery of the data. If the data transmitted and delivered to FPS is incorrect, incomplete, or in a format unapproved by FPS, then the User agrees to pay reasonable charges to FPS for any services which it may render at its option, but without obligation to do so, in preparing or correcting the data or the format of the data.

1.3 On-Line Transmission. The on-line transmission hours shall be from 8:30 a.m. to 7:30 p.m., Monday through Friday, except on those state and federal holidays when the User is permitted to be closed for business under applicable laws. On-line transmission shall also be available from 9:00 a.m. to 4:00 p.m. on Saturdays, except those holidays as described above, at the additional charge set forth in Exhibit "C." All times set forth herein are Mountain Time (Standard or Daylight, as may then be in effect).

1.4 Printed Forms. FPS shall provide standard paper stock for reports printed by FPS at its processing center or its other printing facilities. If the User wants its reports printed on social preprinted forms, or on custom FPS laser-printed forms, such forms shall be supplied and paid for by the User. All such special forms shall be subject to FPS' approval as to format. FPS agrees, at the User's request, to store a reasonable supply of such User forms at the FPS printing facility, and the User or its designated agent shall have the sole responsibility for the replenishment of said supply. The User shall provide all standard paper stock, as well as special forms, for reports printed by remote units at the premises of the User.

1.5 Availability of Reports. The daily reports described in Exhibit "B" will normally be available to the User by 8:00 a.m., Mountain Time, on the first day on which the User is open for business after the day on which the data reflected on the reports was transmitted to FPS. If the User has on-line remote printing capability, FPS will, at the Users' request, transmit the daily reports to the User on-line. If the User does not have or elects not to use remote printing capability, the User shall have full responsibility for the pickup of reports from FPS' processing center in Provo, Utah, or at any remote printing facility of FPS which the User considers more convenient to it, whether using a common carrier or other courier. As a convenience to the User, FPS may from time totime, at its option and at the request of the User, deliver reports to the User at locations and for a fee to be agreed upon. If FPS delivers the reports and if agents of the User who are to receive the reports are not present at the time of delivery, the reports may nevertheless be left at the agreed locations and the User assumes all risk of loss with respect thereto, unless the User and FPS have agreed in writing in advance on some other procedure to be followed in the event of absence of the User's agents. The User may use the on-line mode to generate reports in addition to those described in Exhibit "B."

1.6 Examination of Reports by the User; Notification of Errors. The User agrees to follow the procedures outlined in FPS instruction manuals, bulletins, and orientation classes to monitor the accuracy and completeness of the reports received from FPS pursuant to this Agreement. Additionally, the User agrees to establish its own internal accounting and other control procedures necessary to properly balance the reports on a daily basis. The User shall promptly, and in no event later than 96 hours after FPS has made a report available to the User, notify FPS of any errors or omissions in the report.

1.7 Obligation of FPS to Modify Reports and Services. FPS agrees to use prompt and commercially reasonable efforts to provide raw reports and services or modify existing reports and services as are required by any governmental regulatory agency having jurisdiction over the User. FPS agrees to notify the User of new reports and services and of modifications to reports and services. The User shall pay its pro rata share (determined by the number of User customer accounts serviced by FPS in relation to the total number of customer accounts serviced by FPS for all of its financial institution users subject to such regulatory agency) of reasonable charges (as that term is defined in Section 9.2 herein) for the development of such new or modified reports or services. The User shall also pay reasonable charges for the use of such new or modified reports or services. All software programs for such new or modified reports and services shall be the sole and exclusive property of FPS, as provided in Section 5.10 herein, except as otherwise agreed in writing by the parties.

1.8 Right of FPS to Modify Reports and Services. In addition to modifications made under the circumstances described in Section 1.7, FPS reserves the right to modify its reports and services under this Agreement from time to time as long as no such modification will materially diminish the quality of reports and services provided hereunder. FPS will notify the User of any modifications made by it.

1.9 Additional Reports and Services Requested by User. Upon written request from the User from time to time, but subject to agreement by FPS after receipt of any such request, FPS shall use its best efforts to provide and perform additional data processing reports and services which the User may reasonably need. The User agrees to pay reasonable charges for the development and use of such additional reports and services.

2. EQUIPMENT

2.1 Remote Units. The User shall obtain a sufficient number of FPS-approved remote units and appropriate telephone data communications equipment so that the User can transmit on-line to FPS the data to be processed by FPS under this Agreement and receive from FPS the on-line data at the remote units. FPS has no obligations whatever with respect to the remote units or the telephone communications equipment.

2.2 Transmission Lines. Except as set forth in Section 7.6, FPS shall arrange with the appropriate telephone companies for the necessary transmission lines for the transmission of data between the User and FPS, but FPS has no other obligations whatever with respect to such transmission lines.

2.3 Telephone Company Charges. The User shall pay all telephone company charges for lines and equipment used in connection with the on-line services provided by FPS. If any part of such lines or equipment is used jointly by the User and any other party, FPS shall allocate the portion of the charges related thereto which shall be paid by the User, and any such allocation reasonably made by FPS shall be binding on the User. The User shall promptly reimburse FPS for any telephone company charges to be paid by the User which are initially paid by FPS, together with a reasonable charge for FPS overhead.

3. TRAINING

3.1 Conversion Training. FPS shall provide to the User eight (8) person weeks of training (or the equivalent of 320 hours of training by one individual) for key personnel of the User who will be responsible for training other employees of the User. Except as the parties otherwise agree in writing, five (5) of the person weeks of conversion training will be at FPS' facilities in Provo, Utah, and the remaining three (3) person weeks of conversion training will be at the User's facilities. The charge which the User agrees to pay FPS for such training is $ 0 . All training shall be at times reasonably convenient to both parties. Each party shall pay its own travel and related living expenses. FPS estimates that the amount of training set forth above will be needed to train each qualified key employee in the use of the FPS systems. However, additional training may be needed depending upon such employee's qualifications and the amount of time and effort exerted by such employee in learning the systems outside of the training sessions. The User agrees to require its employees being trained to follow FPS' reasonable training recommendations, including recommendations for outside study and other training activities.

3.2 Systems Manuals. FPS shall provide to the User, without additional charge, three sets of detailed systems manuals for the reports and services described in Exhibit "B." Prior to the execution of this Agreement, the User has received and has had opportunity to carefully review FPS' current systems manuals. FPS shall periodically send to the User updates for the manuals as new or modified reports and services are provided by FPS.

4. CHARGES FOR SERVICES

4.1 Charge for Conversion of Records. For conversion of the User's records from its existing processor to FPS' on-line system, the User agrees to pay FPS a one-time charge of $ 0 . This amount is payable at the time of execution of this Agreement and is in addition to other charges payable hereunder. The User agrees to assist with the conversion procedure in whatever ways FPS reasonably requests. The User shall be responsible for verifying the accuracy of the data base after its conversion and for notifying FPS of any errors therein. FPS shall be responsible for the correction of errors within a reasonable time after receipt of such notification to the extent the errors are the result of FPS programming. The User shall be responsible for the correction of errors which are not the result of FPS programming.

4.2 Amount of Charges. The charges to be paid to FPS by the User for the reports and services described in Exhibit "B" are set forth in Exhibit "C." All of the charges shall be subject to increase by FPS from time to time upon at least 90 days advance written notice; provided, however, in no event may any increase be effective prior to one year from the date of this Agreement, and in no event may the increased charges exceed the charges set forth in Exhibit "C" by a percentage which exceeds the percentage increase in the Consumer Price Index ("CPI-U") between the month in which this Agreement is executed and the most recent month preceding the notification of such increased charges for which the CPI-U is available. The CPI-U means the "Consumer Price Index -Seasonally adjusted U.S. City Average For All Items For All Urban Consumers (1982-84=100)" published by the Bureau of Labor Statistics of the United States Department of Labor or, if such index is unavailable, any other consumer price index reasonably selected by FPS.

4.3 Statements for Services. Statements for services described in Exhibit "B" will be submitted to the User monthly for the preceding calendar month, and the User agrees to pay such statements, without any offset or deduction, within 10 working days after the date of receipt thereof. Statements for telephone company charges pursuant to Section 2.3 and statements for other amounts to be paid by the User pursuant to this Agreement will also be submitted to the User monthly and shall be paid to FPS within 10 working days after the date of receipt thereof.

4.4 Late Charges. The User agrees that, at the option of FPS, the amount of any late payment shall bear interest at the rate of 1 1/2 percent per month (or fraction thereof) from the due date until paid; provided, however, in no event shall the amount of interest exceed the maximum permitted by applicable law.

4.5 Taxes. The User agrees to pay when due all sales, use, or other taxes (except a tax on FPS' net income) in connection with the transactions contemplated by this Agreement. Failure of FPS to collect any such tax in connection with any statement for services to which it relates shall in no way release the User of its obligation under this Section 4.5.

5. TERM OF AGREEMENT AND DEFAULT

5.1 Initial Term. The initial term of this Agreement shall commence on the date of this Agreement and continue until three years after the User goes on-line with the CPU in connection with its regular business.

5.2 Extended Terms. The initial term of this Agreement shall automatically be extended for additional successive terms of three years each unless either party gives written notice of its election not to extend at least 180 days prior to the end of the initial term or any extended term. For purposes of this Agreement, the "term" includes the initial term and each extended term.

5.3 Federal and State Agencies. If at any time any provision of this Agreement would put the User in violation of a mandatory requirement of any federal or state governmental agency and if FPS is unwilling, within 30 days after written notice thereof from the User, to amend this Agreement to eliminate such violation, then the User shall have the right on 30 days additional written notice to FPS lo terminate this Agreement.

5.4 Material Default by User. If at any time the User materially defaults in the performance of its obligations hereunder and FPS gives written notice to the User specifying the default, FPS may terminate this Agreement unless such specified default is cured by the User within 30 days following such notice. Termination of this Agreement shall not relieve the User of its obligation to pay for services rendered prior to termination and to pay for all other amounts owing hereunder. If there is a bona fide dispute as to whether the User is in material default, FPS agrees, notwithstanding anything in this Agreement to the contrary, to continue providing services to User as long as the User pays, in accordance with this Agreement, the charges owed for such services.

5.5 Liquidated Damages. In the event of termination of this Agreement by FPS pursuant to the provisions of Section 5.4 herein, or in the event of any termination of this Agreement by the User other than as permitted in accordance with the provisions of Section 5.6 or Section 5.7 herein, the User shall pay to FPS, as liquidated damages and not as a penalty, in addition to all other amounts then owing hereunder, 65 percent of the projected charges which would become payable by the User between the date of termination and the end of the then current term of this Agreement. If the User fails to use, or discontinues the use of, or substantially reduces its use of (in addition to any reduction in use resulting from a reduction in the User's business), the services of FPS, such failure, discontinuance, or substantial reduction shall be deemed a termination of this Agreement by the User. For purposes of this Section 5.5: (a) projected monthly charges for each month after the date of termination shall be deemed equal to the average of the monthly charges billed to the User by FPS for the six calendar months (or lesser number if charges have only been billed for a shorter time) preceding the month in which the date of termination occurs or, (b) if charges have not yet been billed to the User, projected monthly charges for each month after the date of termination shall be deemed equal to the average monthly charges which would have been payable by the User for the three calendar months preceding the month in which termination occurs, such average monthly charges to be calculated by FPS in a reasonable manner assuming the User had been on-line with the CPU with all of its business during such three-month period. This provision for liquidated damages has been agreed to because of the difficulty which the parties acknowledge exists in determining actual damages because of their indefiniteness. The amount of the liquidated damages is a reasonable estimate by the parties of actual damages.

5.6 Material Default by FPS. If, at any time during the term hereof, FPS materially defaults in the performance of its obligations hereunder, the User shall give written notice to FPS specifying the default. If such specified default is not cured by FPS within 30 days following such notice to FPS, then the User May terminate this Agreement by written notice to FPS.

5.7 Other Rights of Termination by User. In addition to any termination of this Agreement by User pursuant to Section 5.6, the User shall have the right to terminate this Agreement upon the occurrence of any of the following events:

(a) any failure by FPS, after using prompt and commercially reasonable efforts required pursuant to Section 1.7, to provide new reports or services or modify existing reports or services as required by regulatory agencies; or

(b) any failure by FPS, after using prompt and commercially reasonable efforts to cure any breach of warranty under Section 6.1, or to correct any defect constituting a breach of warranty under Section 6.2; or

(c) any exercise by the User of a right to terminate pursuant to Section 5.3 herein in the event FPS is unwilling to amend this Agreement under the circumstances set forth in said section.

5.8 Cooperation on Termination. Upon the termination or expiration of this Agreement, and upon full payment to FPS of all charges for services and other amounts owing hereunder (except to the extent such amounts are the subject of a bona fide dispute between the parties), FPS will cooperate with the User to effect an orderly transition to the User or its new processor of all data stored by FPS relating to the User's records and accounts. As part of such transition, FPS, at the request of the User, will deliver such data to the User or its new processor either on tape or on printout, or both, and the User agrees prior to such delivery to pay FPS the reasonable cost thereof, including the cost of any required computer and programmer time used in preparing the tape or the printout.

5.9 Notification. In the event either party gives written notice of its election pursuant to Section 5.2 not to extend the term of this Agreement, or in the event either party gives written notice of default pursuant to Sections 5.4 or 5.6 which might lead to a termination of this Agreement, or in the event of any other action to terminate this Agreement by either party, or in the event of any material change in reports or services to be provided by FPS pursuant to this Agreement, the User agrees promptly to notify each federal and state agency having jurisdiction over the User to the extent the policies of such agency require notification. The User agrees to notify FPS in writing of the name and address of each federal and state agency to which notification is to be sent by FPS pursuant to this Section 5.9.

5.10 Ownership of Programs. All data processing programs developed by FPS or at any time used by FPS in connection with this Agreement, and all systems manuals and other documentation prepared by FPS, are and shall remain the sole and exclusive property of FPS, and the User acknowledges that it has and will have no right, title, or interest therein.

6. WARRANTIES; CORRECTION OF ERRORS

6.1 Year 2000 Warranty; Limited Remedy.

(a) Modification of FPS Programs. Most of the FPS data processing programs which will be utilized by FPS to provide reports and other services pursuant to this Agreement were developed, or have already been modified, to accommodate the transition to the year 2000. FPS is currently modifying and testing its remaining data processing programs and expects to complete this effort on or before December 31, 1998.

(b) Progress Reports. Between the date hereof and January 1, 2000, FPS shall provide User with monthly reports with respect to its modification and testing efforts and other year 2000 issues.

(c) Date for Compliance; Warranty. FPS warrants that commencing on or before January 1, 1999, FPS will be Year 2000 Compliant. The term "Year 2000 Compliant " means that reports and other services provided by FPS pursuant to this Agreement will be capable of accounting for: (i) data which represents or references different centuries or more than one century either by utilizing four digit years or by interpreting two digit years from 50 to 99 as twentieth century dates and two digit years from 00 to 49 as twenty-first century dates, and (ii) the fact that the year 2000 is a leap year.

(d) Testing. FPS will provide a mainframe computer on which the User and other users will be able to conduct extensive on-line tests in a test environment (which will be separate from the production environment) in which to verity that the FPS data processing programs are Year 2000 Compliant. Such testing will be available no later than the date on which FPS deems itself to be Year 2000 Compliant. The User agrees to participate in such testing and to promptly notify FPS of any errors.

(e) Remedies. In the event of any material breach of the warranty in part (c) above, the User agrees lo promptly provide evidence thereof to FPS. FPS agrees to use prompt and commercially reasonable efforts to cure such breach, and, if FPS does so, the User shall have no other remedy. However, if FPS is unable to cure any such breach within a reasonable period of time, then the User shall have the right to terminate this Agreement without any obligation for liquidated damages. With respect to any such breach which is communicated to FPS on or before March 31, 1999, a reasonable time to cure shall not extend beyond June 30, 1999.

(f) Ancillary Services. FPS is a facilitator through which certain other entities provide services (the "Ancillary Services") for the benefit of the User or its customers. Ancillary Services may include, without limitation, services relating to ATMs, check inclearing, statement rendering, the Federal Reserve System, credit bureaus, and major investor servicers. FPS makes no representation or warranty as to whether the AncillaryServices, to the extent dependent on such other entities, will be Year 2000 Compliant as of any date. If any such entity fails to become Year 2000 Compliant prior to June 30, 1999, FPS intends to identify alternative providers for such services.

6.2 Other Warranties; Limited Remedy. FPS warrants that it has and will have the right to use the computer data processing programs which will be utilized to provide the reports and services described in Exhibit "B". FPS also warrants that the computer data processing programs currently utilized by FPS to provide the reports and services described in Exhibit "B" function substantially in accordance with FPS' current systems manuals and that the computer data processing programs as changed or modified by FPS from time to time to provide new or modified reports and services in accordance with Sections 1.7 and 1.8 herein will function substantially in accordance with the systems manuals as updated by FPS from time to time to reflect such changes and modifications.

If the data processing programs utilized from time to time to provide the reports and services described in Exhibit "B" do not function substantially in accordance with FPS' then current systems manuals, the User agrees promptly to provide evidence thereof to FPS. FPS agrees to use prompt and commercially reasonable efforts to correct the defect in the programs, and, if FPS uses prompt and commercially reasonable efforts to correct the defect, the User shall have no other remedy. However, if FPS is unable within a reasonable time to correct any such defect representing a breach of the warranty, then the User shall have the right to terminate this Agreement.

6.3 Disclaimer of Other Warranties. EXCEPT AS STATED IN SECTIONS 6.1 and 6.2, THERE ARE NO WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

6.4 Correction of Errors. FPS agrees to utilize commercially reasonable care in providing the reports and performing its services under this Agreement, but FPS gives no assurance that the reports or services will be free from errors. The User acknowledges that data processing entails the likelihood of some human and machine errors. If any errors in reports or services are caused by FPS, FPS will exercise prompt and commercially reasonable efforts to correct such errors at no additional expense to the User, and, unless such errors are caused by the gross negligence or willful misconduct of FPS, FPS shall have no other liability with respect thereto. To the extent FPS is precluded from access to the means to correct such errors because such means are under the User's control, then the responsibility of FPS to correct errors shall be limited to notifying the User of the method by which the errors may be corrected. The obligation of FPS in this Section 6.4 is subject to the User's obligation to notify FPS in accordance with Section 1.6.

7. CONFIDENTIAL INFORMATION; STORAGE; DISCLOSURE AND AUDIT

7.1 Confidential Information - Duty of User; Return to FPS. The User shall use commercially reasonable efforts to preserve the confidentiality of all information which it receives relating to the business methods, systems, data processing programs, systems manuals, training aids, other documentation, and procedures of FPS, or relating to other customers of FPS, and the User will in all events use the same standard of care with respect thereto which it uses with its own materials which are of a confidential nature. Upon termination of this Agreement for any reason, the User agrees promptly to return to FPS all systems manuals, training aids, and other documentation and materials containing proprietary information of FPS, and all copies thereof.

7.2 Confidential Information - Duty of FPS. FPS shall use commercially reasonable efforts to preserve the confidentiality of all financial, personal, and other information it receives relating to the User, and the accounts which third parties have with the User, and FPS will in all events use the same standard of care with respect thereto which it uses with the confidential materials of other users. Disclosures by FPS to federal and state agencies having jurisdiction over the User, in accordance with other provisions of this Agreement and applicable law, shall not constitute a violation by FPS of its obligations under this Section.

7.3 Security. The User shall be solely responsible for monitoring the individuals who have access to reports received from FPS and who have access to the remote units which are connected in an on-line mode to the CPU. The computer processing programs utilized by FPS to provide the services under this Agreement will have certain control features for on-line interrogation which will be described in the systems manuals, but the User will be responsible to determine the adequacy of and to implement those controls.

7.4 Storage. The User agrees to maintain source data, original entry microfilm, and the tapes or printouts to enable the User to reconstruct records in any situation in which reconstruction is necessary. FPS agrees during the term of this Agreement to preserve each day's daily backup file for seven days,

month-end records for 90 days, and year-end records for three years. One set of daily records and another set of month-end records will be stored at the FPS processing center, and another set of each will, for security purposes, be stored at a different location. All storage shall be consistent with general industry standards for preservation of data processing records.

7.5 Cooperation In Audits. The parties agree that all data in the possession of FPS relating to the User shall be subject to examination and audit by examiners of any federal or state agency having jurisdiction over the User, and the User's internal auditor or their designees. Any such federal or state agency or internal auditor shall also have the right to observe the processing of the User's data at FPS' processing center and to ask for and receive from FPS any reports, summaries, or information contained in or derived from such data. FPS will provide verifications and trial balances and will permit programming examination (after normal on-line operation hours) as necessary to meet the User's audit requirements. The User shall pay reasonable charges made for all special programming and all computer usage, in excess of that described in Exhibit "B", which is required in connection with such audits and examinations.

7.6 Disaster Protection. FPS shall identify emergency procedures and an alternate location for the processing by FPS of the data supplied by the User in case of a disaster at FPS' processing center. All such emergency procedures and such alternate location shall be determined by FPS in its discretion and shall be addressed annually in the third party review provided pursuant to Section 7.7 herein. However, communication in an on-line mode between the User's remote units and any such alternate location will require transmission lines and equipment which shall be the responsibility of the User and not FPS and which cannot be expected to be readily available in case of a disaster unless the User makes adequate prior arrangements for such lines and equipment. Upon request, the results of periodic disaster tests shall be made available to the User. FPS agrees to release the information necessary to allow the User to develop a disaster contingency plan which will work in concert with FPS's plan.

7.7 Third Party Review. Upon request, FPS shall provide the User and any federal or state agency having jurisdiction over the User (to the extent the policies of such federal or state agency require a copy) with a copy of its annual third party review, together with a statement from the reviewing auditor indicating the review was performed in accordance with Bulletin PA-7-1A and "Audits of Service Center Produced Records" published by the American Institute of Certified Public Accountants or any other generally recognized standards for third party services. In addition, FPS shall provide the User and any such federal or state agency with a copy of its management memorandum detailing its response to the issues raised in such annual review. The User and any such federal or state agency shall have the right to review the internal security controls at FPS' processing center.

7.8 Financial Statements. Upon request, FPS agrees annually lo provide the User and any federal or state agency having jurisdiction over the User with a copy of FPS' current audited financial statement to the extent required by such agency.

7.9 Powers of Regulatory Authorities. The parties acknowledge that any federal or state agency having jurisdiction over the User may, to the extent provided by applicable law, have rights and powers relating to the services performed by FPS under this Agreement in addition to those set forth herein.

8. LIMITATIONS

8.1 Events Beyond Reasonable Control of FPS. FPS shall have no liability to the User or to any other person for damages, delays, or loss of data which may be caused by acts or omissions of any governmental authority, or by fire, heat, storm, water, flood, lightning, wind, earthquake, other acts of God, accident, acts of the public enemy, wars, rebellion, insurrection, riot, sabotage, strike, telephone line or equipment failure, CPU or other equipment failure or malfunction, power failure, or any other events beyond the reasonable control of FPS. Notwithstanding the foregoing, FPS shall not be relieved of liability under this Section 8.1 for failures or malfunctions of the CPU or other equipment under FPS' control unless such equipment is maintained in accordance with commercially reasonable standards.

8.2 Limitation of Damages. NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, IN NO EVENT SHALL FPS BE LIABLE TO USER OR ANY THIRD PARTY FOR ANY LOSS OF PROFITS OR OTHER CONSEQUENTIAL, INCIDENTAL, OR SPECIAL DAMAGES ARISING FROM THIS AGREEMENT OR ITS PERFORMANCE OR FAILURE OF PERFORMANCE, EVEN IF FPS HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. Without limiting the foregoing, the total liability of FPS for any and all claims in any way related to this Agreement, and any performance or nonperformance by FPS hereunder, regardless of the form of action, whether in contract or in tort, including negligence, shall in no eventexceed the greater of (a) $50,000, or (b) four times the average monthly charges paid by the User to FPS pursuant to this Agreement during the 12 months immediately preceding the date on which the User first gives FPS written notice of any such claim.

8.3 Allocation of Risk. The limitations and disclaimers with respect to warranties, remedies, and damages set forth in this Agreement are protective of FPS but nevertheless reflect an acceptable allocation of risk to the User.

8.4 Third Party Claims. The User agrees to indemnify and hold FPS harmless from any and all claims asserted against FPS by any customer, employee, or agent of the User or any other person who may be affected by the reports and services of FPS, except for claims in which it is alleged that the data processing programs or other documentation or materials utilized by FPS to provide the reports and services infringe a U.S. patent, copyright, or other proprietary right belonging to any third party.

9. MISCELLANEOUS

9.1 Notice. All notices given under this Agreement shall be in writing and shall be sent by registered or certified mail, return receipt requested, or by overnight courier, to FPS GOLD, Attention: President, at 1525 West 820 North, Provo, Utah, 84601, and to the User at the address set forth at the beginning of this Agreement. Notice shall be considered received on the second day after posting, when mailed as described above, or upon receipt when by overnight courier. Notice may also be given to a party by personal service upon an officer thereof. Either party, upon notice to the other, may change any name or address to which future notices may be sent.

9.2 Reasonable Charges. The term "reasonable charges" in this Agreement means charges reasonably determined by FPS for the reports or services to which they relate, which shall include a charge for programming, clerical and other personnel and for CPU or other equipment usage involved in providing reports or performing services, all at the then standard hourly rates charged by FPS for such personnel and such equipment usage, plus all travel expenses, telephone, postage, supply costs and other costs reasonably incurred in connection with such services.

9.3 Governing Law and Limitation on Actions. This Agreement is entered into in the State of Utah and in all respects shall be construed, interpreted, and governed by the laws of the State of Utah. No claim arising out of or relating in any manner to transactions under this Agreement may be asserted by either party more than 18 months after the cause of action has arisen.

9.4 Entire Agreement; Modification. This Agreement and its exhibits set forth the entire agreement and understanding of the parties, and supersedes all prior agreements, written or oral, between the parties. No renewal or modification or waiver of any of the provisions herein contained, or any future representation, promise, or condition in connection with the subject matter hereof, shall be binding upon the parties unless made in writing and signed by the parties to this Agreement. A mere acknowledgment of any action inconsistent with the terms of this Agreement shall not be deemed an acceptance or approval of such inconsistent action.

9.5 Effect of Invalid or Unenforceable Provision. This Agreement, to the extent possible, shall be construed so as to give validity to all the provisions hereof. Any provision of this Agreement found to be invalid or unenforceable shall not affect the validity or enforceability of any other provision of this

Agreement, and each provision of this Agreement shall be enforced to the fullest extent permitted by applicable law.

9.6 Arbitration. Any claim arising out of or relating to this Agreement shall be settled by arbitration at Salt Lake City, Utah, in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Each arbitrator shall have a knowledge of financial institution electronic data processing practices.

9.7 Binding Effect. This Agreement may not be assigned by either party without the prior written approval of the other party except to a successor in interest to the business (or, in the case of FPS, the financial institution data processing business) of the assigning party. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns.

9.8 Authorization. Each party represents and warrants that execution and delivery by it of this Agreement and performance of its obligations hereunder has been duly authorized and will not constitute a breach of any other contract by which it is bound.

9.9 Waiver. Waiver of any default hereunder by either party shall not constitute a waiver of any subsequent default.

9.10 Section Headings. The section headings in this Agreement are included only for purposes of convenient reference, and they shall not affect the interpretation of this Agreement.

9.11 Miscellaneous. In interpreting words used herein, unless the context shall otherwise indicate, the singular shall include the plural, the plural shall include the singular, and the use of any one gender shall include all genders.

IN WITNESS WHEREOF, this Agreement has been executed by the parties as of the date written at the beginning hereof.
DHI Computing Service, Inc., dba FPS Gold

By: /s/ B. Lynn Crandall

B. Lynn Crandall/Chief Executive Officer

User: Pan American Bank, FSB.

By /s/ Carol M. Bucci

Authorized Signature

Name Carol M. Bucci

(Type or Print)

Title Senior Vice President

FPS GOLD/(R)/
ON-LINE COMPUTER SERVICE AGREEMENT
AMENDMENT

This Amendment dated this --------, amends that certain On-line Computer Service Agreement (the "Agreement") dated ---------------, between DHI Computing Service, Inc., dba FPS GOLD and PAN AMERICAN BANK, FSB. (the "User"). Any provisions of the original Agreement which are in conflict or are inconsistent with the provisions of this Amendment shall be superseded by this Amendment and all provisions not hereby amended shall remain in full force and effect.

For good and valuable consideration, receipt and sufficiency whereof and hereby acknowledged, the parties agree as follows:

Section 1.3 On-line Transmission. This section is changed in its entirety to read as follows: The on-line transmission hours shall be from 7:30 a.m. to 6:30 p.m., Monday through Friday, except on those state and federal holidays when the User is permitted to be closed for business under applicable laws. On-line transmission shall also be available from 8:00 a.m. to 3:00 p.m. on Saturdays, except those holidays as described above, at the additional charge set forth in Exhibit "C." All times set forth herein are Pacific Standard Time (Standard or Daylight, as may then be in effect).

Section 1.6 Examination of Reports by the User; Notification of Errors. The last sentence in this section shall be changed to read as follows: The User shall promptly, and in no event later than 96 hours after FPS has made a report available to the User, (120 hours if a holiday weekend applies), notify FPS of any errors or omissions in the report.

Section 1.7 Obligation of FPS to Modify Report and Services. A sentence is added to the end of this section to read as follows: In the event FPS is unable to provide required regulatory changes, the User shall give FPS written notice of FPS' inability to provide such reports and services, and if such specified default is not cured by FPS within 30 days following such notice to FPS, then the User may terminate this Agreement by written notice to FPS as provided in Section 5.6 of this Agreement.

Section 1.8 Right of FPS to Modify Reports and Services. The last sentence in this section shall be changed to read as follows: FPS will notify the User of any modifications made by it through the FPS update procedures.

Section 1.9 Additional Reports and Services Requested by User. The last sentence in this section shall be changed to read as follows: FPS will notify the User of the time frame and charges to complete such services, at which time the User agrees to notify FPS of its intent to have such modifications made to the system, and to pay reasonable charges for the development and use of such additional reports and services.

Section 2.3 Telephone Company Charges. The last sentence in this section shall be changed to read as follows: The User shall promptly reimburse FPS for any telephone company charges to be paid by the User which are initially paid by FPS, together with a reasonable charge for FPS overhead not to exceed 10 percent.

Section 4.1 Charge for Conversion of Records. The fifth sentence in this section shall be changed to read as follows: FPS shall be responsible for the correction of errors within a commercially reasonable time not to exceed 2 weeks after receipt of such notification to the extent the errors are the result of FPS programming.

Section 4.2 Amount of Charges. The second sentence in this section shall be changed to read as follows: All of the charges shall be subject to increase by FPS, from time to time, but not more than once per year, upon at least 90 days written notice; provided, however, in no event may any increase be effective prior to one year from the date of this Agreement, and in no event may the increased charges

exceed the charges set forth in Exhibit "C" by a percentage which exceeds the percentage increase in the Consumer Price Index ("CPI-U") between the month in which this Agreement is executed and the most recent month preceding the notification of such increased charges for which the CPI-U is available.

Section 4.3.1 Disputed Amounts. This section to be added to the end of Section 4.3 Statements for Services. (a) If the User in good faith disputes any amounts invoiced hereunder, User will provide written notification of such dispute to FPS, setting forth the reason for the dispute. Such notice will be given prior to the date that the disputed payment is due to FPS. The User may elect to withhold payment of any validly disputed amount until the dispute is resolved by the parties, or unless the User is otherwise required to pay the disputed amount to an escrow agent or to FPS in accordance with the dispute resolution process set forth in this Agreement. If the dispute involves only a portion of such invoice, the User agrees to withhold only the disputed amount and to timely pay the undisputed portion of the amount invoiced. The parties agree to immediately negotiate in good faith to resolve the dispute. If the dispute cannot be resolved prior to the date when the amounts would be otherwise due hereunder, then FPS may, at its option, require that the amount withheld in dispute be paid over to an escrow agent mutually agreed upon by FPS and the User, pending the resolution of such dispute. If the parties are unsuccessful in resolving such dispute within thirty (30) days after the date of the written notice of dispute from the User to FPS, then either party may initiate the dispute resolution processes provided for in this Agreement. Any moneys held by the escrow agent in the escrow fund will be invested by the escrow agent in interest bearing federally insured instruments. The party receiving funds from such escrow will also receive the interest earned on that portion of the escrowed funds so received, and will pay a portion of the fees of the escrow agent based upon the pro rata portion of the funds not received. (b) If the User in good faith disputes any amounts previously paid by the User to FPS hereunder, the User will provide written notice of such dispute to FPS within (3) months of the date the disputed amount was paid to FPS, setting forth the reason for the dispute. FPS agrees to respond within ten (10) days after receipt of such notice, setting forth FPS' position with respect to the disputed matter. The parties agree to immediately negotiate in good faith to resolve the dispute. If the dispute is not resolved within thirty (30) days following the initial notice by the User to FPS, then the User may, at its option, require that the amount withheld in dispute be paid over to an escrow agent mutually agreed upon by FPS and the User, pending the resolution of such dispute. If the parties are unsuccessful in resolving such dispute within thirty (30) days after the date of the written notice of dispute from the User to FPS, then either party may initiate the dispute resolution processes provided for in this Agreement. Any moneys held by the escrow agent in the escrow fund will be invested by the escrow agent in interest bearing federally insured instruments. The party receiving funds from such escrow will also receive the interest earned on that portion of the escrowed funds so received, and will pay a portion of the fees of the escrow agent based upon the pro rata portion of the funds not received.

Section 5.2 Extended Terms. The first sentence in this section shall be changed to read as follows: The initial term of this Agreement shall automatically be extended for additional successive terms of two years each unless either party gives written notice of its election not to extend at least 180 days prior to the end of the initial term or any extended term. For purposes of this Agreement, the "term" includes the initial term and each extended term.

Section 5.5 Liquidated Damages. The first sentence of this section shall be amended to read as follows: In the event of termination of this Agreement by FPS pursuant to the provisions of Section 5.4 herein, or in the event of any termination of this Agreement by the User other than as permitted in accordance with the provisions of Section 5.6 or Section 5.7 herein, the User shall pay to FPS, as liquidated damages and not as a penalty, in addition to all other amounts then owing hereunder, a percent, as set forth in Exhibit "D" attached hereto, of the projected charges which would become payable by the User between the date of termination and the end of the then current term of this Agreement.

Section 5.6 Material Default by FPS. Two additional sentences are added to this section to read as follows: In the event that there is no contributory fault on the part of the User, no termination fees will apply. In the event of such termination, FPS agrees to refund to the User a pro rata share of the initial license fees paid by the User under this Agreement for the following: GOLDTeller, GL GOLD, WinTerm,

GOLDView. This pro rata share will be based on the following equation: (Remaining number of months of the initial contract term x 2.778% x the above listed total license fees paid by the User).

Section 5.8 Cooperation on Termination. The second sentence of this section shall be changed to read as follows: As part of such transition, FPS, at the request of the User, will deliver such data to the User or its new processor in test and final form either on tape or on printout, or both, and the User agrees prior to delivery of final data, to pay FPS the reasonable cost thereof, including the cost of any required computer and programmer time used in preparing the tape or the printout.

Section 7.6 Disaster Protection. The fourth sentence in this section shall be changed to read as follows: FPS will provide the results of its annual disaster test to the User.

Section 8.2 Limitation of Damages. This section to be changed in its entirety to read as follows: NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, IN NO EVENT SHALL FPS BE LIABLE TO CONSEQUENTIAL, INCIDENTAL, OR SPECIAL DAMAGES ARISING FROM THIS AGREEMENT OR ITS PERFORMANCE OR FAILURE OF PERFORMANCE, EVEN IF FPS HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. Without limiting the foregoing, the total liability of FPS for any and all claims in any way hereunder, regardless of the form of action, whether in contract or in tort, including negligence, shall in no event exceed the greater of (a) $50,000, or (b) six times the average monthly charges paid by the User to FPS pursuant to this Agreement during the 12 months immediately preceding the date on which the User first gives FPS written notice of any such claim; provided, however, the foregoing limitation on liability shall not apply to any refund obligation of FPS under Section 5.6 herein.

Section 9.3 Governing Law and Limitation on Actions. The first sentence in this section shall be changed to read as follows: This Agreement is entered into in the State of California and in all respects shall be construed, interpreted, and governed by the laws of the State of California.

Section 9.6 Arbitration. The first sentence in this section shall be changed to read as follows: Any claim arising out of or relating to this Agreement shall be settled by arbitration at Portland, Oregon, in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

Section 9.7 Binding Effect. A sentence shall be added to this section to read as follows: In the event of a change in ownership of more than 50% of the issued and outstanding shares of stock of DHI within any one year period (excluding any changes in ownership resulting from transfers of stock between the current owners for the benefit of their spouses, their descendants, or spouses of descendants), the User shall have the right to terminate this Agreement without penalty.

Performance Levels:

Downtime: FPS will use its best efforts to achieve a 97% or better availability of units under this Agreement. Should either the on-line system availability or the GOLDPhone system availability, other than scheduled downtime, fall below 97%, FPS will use its best efforts to return above 97%. If the availability of the on-line system falls below an average of 97% in any one month then FPS will reduce the User's bill for that month as follows:

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Monthly Average Availability	Percentage Rebate of Monthly Bill
<S>	<C>
94%-97%	2.25%
92%-94%	3.00%
91%-89%	5.00%
Less than 89%	8.00%

</TABLE>

Downtime excludes the non-availability for any reason beyond FPS's control specified in section 8.1. Unscheduled downtime is defined as any time the on-line is unavailable to the User during hours of

operation as described in section 1.3. without 24 hours advance notice to User. If the monthly average availability is less than 89% in any two consecutive months, then User shall have the right, by written notice to FPS, to terminate this Agreement without any obligation to FPS for liquidated damages.

Response Time: This provision for the measurement of system response time has been agreed to because of the difficulty which the parties acknowledge exists in determining average teller transaction response time and average GOLDPhone transaction response time. Average response time means the average time elapsed from the time the transaction enters the FPS Central Processing Unit (CPU) in Provo until the time the response leaves the CPU. The test condition shall be based on the following:

1. Response time tests shall be run on terminals running the highest priority for single account inquires or single account file maintenance type transactions that require only on transmission to and from the CPU.
2. During the response time tests (a) no programs other than the necessary applications and operating programs shall be running on the CPU, and (b) no batch type background processing shall be running on the CPU and no program request shall be running against the User data files which involves heavy CPU or disk utilization (a request requiring more than 10 disk input-output operations). A "transaction" is a posting or an inquiry made from a terminal to the CPU to a specific data base element or elements, and is not an analytical review of even a portion of the data base nor is it a request for a report or summary.
3. The determination of average response time shall be determined automatically by monitoring programs running on the CPU which measure the time a transaction is in the CPU. These tests will be run at mutually agreed upon times by the User and FPS.

Penalties for average response times over those specified below shall be calculated as follows:

Monthly Average Response Time	Monthly Credit
4 Seconds	2.50%
5 Seconds	3.75%
6 Seconds	5.00%

If the monthly average response time is greater than six (6) seconds in any two consecutive months, then User shall have the right, by written notice to FPS, to terminate this Agreement without any obligation to FPS for liquidated damages.

Other Contract Provisions:

FPS will provide a 20% discount off of G/L GOLD(TM), GOLDTeller(TM), WinTerm and GOLDView/(R)/ initial licensing fees.

FPS will complete the GOLDPlatform(TM) system by the time the User goes on-line in accordance with this agreement. In the event the GOLDPIatform system is not completed, FPS will provide a $600.00 credit per month until such time the system is completed.

PAN AMERICAN BANK, FSB.

By: /s/ Carol M. Bucci

Title: Senior Vice President

DHI Computing Service, Inc., dba FPS GOLD

By: /s/ B. Lynn Crandell

Title: CEO

FPS GOLD/(R)/ ON-LINE COMPUTER SERVICE AGREEMENT
Exhibit A - Approved Equipment

EQUIPMENT - Below is a list of approved equipment that can be used to access the FPS Gold Systems:

Modems/Routers:

IBM 5865 Series
IBM 7861 Series
IBM 7868-025
CrossComm XL Series Router

Modems - To be used for dial-up disaster recovery:

IBM 785
IBM 5853
CrossComm XL Series PCMCIA

Modem Splitter - To expand the number of ports hooked directly to modem:

3287 Interlinks protocol converter

Teller Gear -

IBM 4701 Controllers and associated printers and terminals.

IBM 4702 Controllers and associated printers and terminals.

ISC-Bunker Ramo Pinnacle Controllers and associated printers and terminals.

IBM PC's using "CT" or GOLDTeller(TM) software (486, 12MB RAM minimum).

ISC-Bunker Ramo PSP Controllers and associated printers and terminals.

Coax Attached Printers:

IBM 4224 Printer
IBM 4234 Printer
IBM 4245 Printer

Teller Printers:

IBM 4720 used with 4700 hardware
IBM 4722 used with "CT" or GOLDTeller software
Lexmark 2380 series used with "CT" or GOLDTeller software
Lexmark 2390 series used with "CT"or GOLDTeller software

Printers Attached to PC's:

HP Laserjet I, II, IID, III, IIID, VI, VID, & Vsi
Any IBM PC Printer
Any IBM Compatible PC Printer

Personal Computers - PC's hooked to the FPS System as workstations using DHI3270 Software:

All IBM 486 PC's or better
All IBM 486 Compatible PC's or better

Personal Computers - PC's used as communications servers to access the FPS System:

All IBM PC 486 with clock speeds of 20 Mhz or greater

Local Area Network Hardware:

IBM Token Ring
Ethernet

Local Area Network Software:

Novell Netware 3.1 or better
IBM PC LAN
IBM OS/2 LAN Server
Microsoft NT Server

3270 Boards and Software:

DHI 3270 Boards and Software

Other equipment may work on the FPS System, but it needs to be approved and tested before FPS can verify that such hardware or software can be used to access the FPS GOLD systems. Time for testing of other hardware is billable at $75.00 per hour, plus expenses. Installation and setup all equipment is billable at $75.00 per hour, plus expenses.

FPS GOLD/(R)/ ON-LINE COMPUTER SERVICE AGREEMENT
Exhibit B - Standard Reports

Deposit & G/L Systems

Daily

Account Activity Summary
Account Kind Detail Listing
Accounts Pulled for Processing
Auto Deposit In-House Transfers

Auto Funds Reconciliation List
Auto Funds Payment List
Auto-Deposit Exception Report
Automated Entry Register
Card Management Summary Report
Card Issue/Reissue Report
Cash Letter Reconciliation
Cash In and Cash Out by Teller
Closed Account Journal
Credit Card Payment/Advance Report
Daily Deposit Transaction Listing
Daily Regulation -D- Report
Daily Interest Accrual - Deposits
Daily Large Transactions Journal
Daily Withholding Transaction Journal
Earnings Check Register
File Maintenance Journal
General Ledger File Maintenance Journal
General Ledger File Balancing Report
Interest Rate Rollover and Accrual Report
Listing of Accounts Closed Tonight
Management Summary
Name and Address Activity Report
Name and Address Daily Report
Negative Balance NOW Accounts
NOW Account Stop/Hold Report.
NOW Account Service Charges
Opened Account Journal
Overdraft Processing Report
Proof Items in Account/Amount Order
Proof Items for G/L and Acct. Posting
Retirement Account Posting Journal
Savings Earnings Posting Totals
Savings Short Trial Balance
Savings Earnings Posting Report
Statement Error Report
Teller Journal
Teller Cash Report from Proof
Teller Total Summary
Teller Journal for XXXX
Teller Override Listing Report
Transfer System Transaction Report
Uncollected Funds Report

Monthly/Cycled

1099 Report - Numeric List
1099 Report - Social Security List
1099 Tape and Statement Totals
1099 Report - Alpha List.
1099R Report
80 Thousand and Over Report
Accounts Receiving Maturity Notices
Accrual Report
Auto Pay Transaction Journal
Auto Pay Service Charges
Auto-Posting General Ledger Error List
Certificate Information Report
Certificate Maturity Exception Report
Customer Information Report - Savings Deposits
Deposits by Territory
Exception Report for Accounts Without a 1099
Fifty-Nine and One Half Report
General Ledger File Balancing Report
General Ledger Miscellaneous Transaction Journal
General Ledger Auto-Posting Recap Summary
General Ledger Transaction Listing
General Ledger Auto-Posting Recap
Inactive Accounts Listing
Name/Address Listing - Alpha Sequence
Name/Address Listing - Numeric Sequence
Retirement Account by Social Security Number
Retirement Account Service Charge Report
Retirement Accounts in Alpha Sequence
Savings Rate and Maturity Information Report
Savings/Checking Trial Balance
Savings/Checking Trial Balance - Totals Only
Seventy and One Half Report
Statement Savings Report

Teller File Cash Report
Teller Activity Report
Transmatic Payment List
Transmatic Reconciliation List
Transmatic Exception Report
Withholding Report

Loan System

<TABLE>
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Daily

	Loan Auto-Payment Reconciliation List
002	Account Posting Journal
002	Tranlog Journal
006	Daily Loan Participation Payoff Report
007	Daily Investor Posting Journal
008	Daily Loan Posting Journal
009	Loan File Maintenance Register
011	G/L Autopost Error List
012	G/L Autopost Recap & Summary
013	Afterhours Processing Exception Listing
014	Interest Rate Table File Maintenance Register
015	Late Notice
016	Late Notice
017	Late Notice
017	Automated Entry Register
018	Late Notice
020	G/L Misc. Tran. Jnl
022	Coupons
026	Report of Coupons Ordered
027	Reserve Disbursement Posting Journal
028	ACH Entry Register
029	Teller Posting Journal
030	Transaction Journal
030	Loan Management Summary (By Investor & Type)
031	Transmatic Reconciliation List
031	Transaction Journal By Tran Origination Code
033	Reserve Disbursement Posting By Policy Number
039	AML Letter
041	Posting Journal By TORC
054	Loan Closing & Doc Prep Journal
059	Contract Collection Seller Disb. Checks
060	Contract Collection Seller Receipts
061	Contract Collection Disbursement Register
062	Contract Collection Action Report
063	Coupon Tape Creation
065	Late Charge Report
069	Seller Billings
085	Proof of Deposit
088	Name and Address Change Journal
089	Daily Loan Accrued Interest
101	LIP Budget Transfers
105	Stop File Tape (Lock Box)

Monthly/Cycled

001	Loan Long Trial Balance w/History
004	Investor Delinquent Loan Report
005	Trial Balance of Loans Serviced
010	Investor Remittance Report (D47)
014	Loan Delinquency Report
019	Loan Accrued Interest Report
021	Reserve Disbursement Expiration List
023	New Loan Report
024	Closed Loan Report
025	Loan Action Needed Report
026	Loans to One Borrower Report
027	Loan Rate & Maturity Report (78)
032	RMIC Remittance Report

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034	Investor Servicing Summary
035	Deferred Loan Costs Amortization
037	Loan Pre-paid/Delinquent Report
040	FNMA Active/Removed Trial Balance
042	Monthly Reserve Disbursement
043	Single Debit Investor
044	FHLB Section H
045	investor Reconciliation (087)
046	Investor Collection Report
047	Investor Remittance Report
048	Investor Loan Exception Report
049	FSLIC Settlement Report
050	FNMA Loan Activity Report
051	MGIC Remittance Exception Report
053	GNMA Monthly Accounting Report
055	Monthly Income
057	Company/Agent Reserve Payment Journal
058	Interest Rate Journal
064	Loans in Process Trial Balance w/History
068	1098 Loan Interest Report
070	FHLMC Tape and FHLMC Accounting Group Control Report
070	FHMC Loan Level Reporting
071	FNMA Monthly Payment/Rate Change
073	Negative Loan Reserve Report
075	Earnings Report For Rule of 78's Loans
076	Long Trial Report For Rule of 78's Loans
077	Amortization of Deferred Fees
078	Loan Rate & Maturity
079	Late Charge Activity Report
081	Deferred Loan Fees Short Trial Balance
082	Reserve Disbursement Forecast List
083	Loan Warning Report
084	Loan Deferred Fees Trial Balance
086	Simplified Loan Trial Balance
090	OTS Section A
091	Loans Sold This Month
092	Dealer Loan Trial Balance
093	Single Line Loan Delinquency Report
094	Dealer Loan Collection
095	Credit Life/Disability
096	Income on Loans Eligible For B&O Tax (WA)
096	Income on Washington B&O Tax
097	FNMA Investor Report
098	FNMA Trial Balance/Tape 100 Interest on Reserve Accrual
100	Interest on Reserves Accrual Report
103	Check Reconciliation Register
106	Student Loan Report
111	Loan Pooling Security Holders Register
112	Over Credit Limit

</TABLE>

NOTE: The above lists are representative only and will be subject to change as new items are added to the system and others are revised. However, the listing is indicative of the services and reports that will be available, subject to revision by agreement between the users and FPS.

FPS GOLD/(R) /ON-LINE COMPUTER SERVICE AGREEMENT
Exhibit D - Term Percentage

Months Remaining in Term	Percent
36	20.00%
35	21.29%
34	22.57%
33	23.86%
32	25.14%
31	26.43%
30	27.71%
29	29.00%
28	30.29%
27	31.57%
26	32.86%
25	34.14%
24	35.43%
23	36.71%
22	38.00%
21	39.29%
20	40.57%
19	41.86%
18	43.14%
17	44.43%
16	45.71%
15	47.00%
14	48.29%
13	49.57%
12	50.86%
11	52.14%
10	53.43%
9	54.71%
8	56.00%
7	57.29%
6	58.57%
5	59.86%
4	61.14%
3	62.43%
2	63.71%
1	65.00%

Exhibit 23.1

The Board of Directors
United PanAm Financial Corp.:

We consent to incorporation by reference in the registration statement (No. 333-67049) on Form S-8 of United PanAm Financial Corp. of our report dated January 29, 1999, relating to the consolidated statements of financial condition of United PanAm Financial Corp. and subsidiaries as of December 31, 1998, and 1997, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1998, which report is included in the December 31, 1998, annual report on Form 10-K of United PanAm Financial Corp.

/s/ KPMG LLP

San Francisco, California
March 18, 1999

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