FORM 8-K

Current report filing

Filing Date: **1996-08-26** | Period of Report: **1996-06-30**
SEC Accession No. 0000912057-96-018817

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FILER

EQUIVANTAGE ACCEPTANCE CORP	Mailing Address	Business Address
CIK:**933505**| IRS No.: **760448074** | State of Incorp.:**DE** | Fiscal Year End: **1231** Type: **8-K** | Act: **34** | File No.: **033-87040** | Film No.: **96620389** SIC: **6189** Asset-backed securities	*1311 NW FREEWAY* *SUITE 301* *HOUSTON TX 77040*	*13111 NORTHWEST FREEWAY* *STE 300* *HOUSTON TX 77040* *7138951900*

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) August 22, 1996

EquiVantage Home Equity Loan Trust 1996-3

(Exact name of registrant as specified in its charter)

New York	33-99364	Application Pending
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

c/o EquiVantage Acceptance Corp.
Attention: John E. Smith
13111 Northwest Freeway
Houston, Texas
(Address of Principal Executive Offices)

77040
(Zip Code)

Registrant's telephone number, including area code (713) 895-1957

No change

(Former name or former address, if changed since last report)

Item 5. OTHER EVENTS

Filing of Financial Guaranty Insurance Company
FINANCIALS AND CONSENT OF EXPERTS

The financial statements of Financial Guaranty Insurance Company as of December 31, 1995 and 1994 that are included in this Form 8K have been audited by KPMG Peat Marwick LLP. The consent of KPMG Peat Marwick LLP to the inclusion of their audit report on such financial statements in the Form 8K and to being named as "experts" in the Prospectus Supplement for the EquiVantage Home Equity Loan Trust 1996-3 is attached hereto as Exhibit 23.4.

The financial statements of Financial Guaranty Insurance Company as of December 31, 1995 and 1994 are attached hereto as Exhibit 99.3. The unaudited financial statements of Financial Guaranty Insurance Company as of June 30, 1996 are attached hereto as Exhibit 99.4.

Item 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

The following are filed herewith. The exhibit numbers correspond with Item 601(b) of Regulation S-K.

EXHIBIT NO.	DESCRIPTION
23.4	Consent of KPMG Peat Marwick LLP with respect to inclusion of the December 31, 1995 and 1994 financial statements of Financial Guaranty Insurance Company.
99.3	Financial Guaranty Insurance Company December 31, 1995 and 1994 Financials.
99.4	Unaudited financial statements of Financial Guaranty Insurance Company as of June 30, 1996.

SIGNATURES

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

EQUIVANTAGE HOME EQUITY LOAN TRUST 1996-3

By: EquiVantage Acceptance Corp., as Sponsor

By: /S/ JOHN E. SMITH

Name: John E. Smith
Title: President

Dated: August 22, 1996

EXHIBIT INDEX

DESCRIPTION OF EXHIBIT

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EXHIBIT 23.4

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
Financial Guaranty Insurance Company:

We consent to the use of our report dated January 19, 1996 on the financial statements of Financial Guaranty Insurance Company as of December 31, 1995 and 1994, and for each of the years in the three-year period ended December 31, 1995 included in the Form 8-K of EquiVantage Home Equity Loan Trust 1996-3, and to the reference to our firm under the heading "Experts" in the Prospectus Supplement.

Our report refers to changes, in 1993, in accounting methods for multiple-year retrospectively rated reinsurance contracts and for the adoption of the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 115, ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES.

KPMG Peat Marwick LLP

New York, New York
August 22, 1996

EXHIBIT 99.3

AUDITED FINANCIAL STATEMENTS

FINANCIAL GUARANTY INSURANCE COMPANY

YEARS ENDED DECEMBER 31, 1995 AND 1994
WITH REPORT OF INDEPENDENT AUDITORS

FINANCIAL GUARANTY INSURANCE COMPANY

Financial Statements

December 31, 1995 and 1994

(With Independent Auditors' Report Thereon)

FINANCIAL GUARANTY INSURANCE COMPANY

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 1995

Report of Independent Auditors'

The Board of Directors and Stockholder
Financial Guaranty Insurance Company:

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

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

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

As described in notes 6 and 2, respectively, in 1993, the Company changed its methods of accounting for multiple-year retrospectively rated reinsurance contracts and for the adoption of the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 115, ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES.

KPMG Peat Marwick LLP

January 19, 1996

FINANCIAL GUARANTY INSURANCE COMPANY — BALANCE SHEETS

($ in Thousands, except per share amounts)

<TABLE>
<CAPTION>

<S>	DECEMBER 31, 1995 <C>	DECEMBER 31, 1994 <C>
ASSETS		
Fixed maturity securities available-for-sale (amortized cost of $2,043,453 in 1995 and $1,954,177 in 1994)	$2,141,584	$1,889,910
Short-term investments, at cost, which approximates market	91,032	75,674
Cash	199	1,766
Accrued investment income	37,347	40,637
Reinsurance recoverable	7,672	14,472
Prepaid reinsurance premiums	162,087	164,668
Deferred policy acquisition costs	94,868	90,928
Property and equipment, net of accumulated depreciation ($12,861 in 1995 and $10,512 in 1994)	6,314	7,912
Receivable for securities sold	26,572	--
Prepaid expenses and other assets	12,627	12,243
Total assets	$2,580,302	$2,298,210
LIABILITIES AND STOCKHOLDER'S EQUITY		
Liabilities:		
Unearned premiums	$ 727,535	$ 757,425
Loss and loss adjustment expenses	77,808	98,746
Ceded reinsurance balances payable	1,942	2,258
Accounts payable and accrued expenses	32,811	28,489
Payable to Parent	1,647	18,600
Current federal income taxes payable	51,296	82,123
Deferred federal income taxes	99,171	22,640
Payable for securities purchased	40,211	8,206
Total liabilities	1,032,421	1,018,487
STOCKHOLDER'S EQUITY:		

Common stock, par value $1,500 per share; 10,000 shares authorized, issued and outstanding	15,000	15,000
Additional paid-in capital	334,011	334,011
Net unrealized gains (losses) on fixed maturity securities available-for-sale, net of tax	63,785	(41,773)
Foreign currency translation adjustment	(1,499)	(1,221)
Retained earnings	1,136,584	973,706
Total stockholder's equity	1,547,881	1,279,723
Total liabilities and stockholder's equity	$2,580,302	$2,298,210

</TABLE>

See accompanying notes to financial statements.

FINANCIAL GUARANTY INSURANCE COMPANY

STATEMENTS OF INCOME

($ in Thousands)

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31,		
	1995	1994	1993
REVENUES:			
Gross premiums written	$ 97,288	$161,940	$291,052
Ceded premiums	(19,319)	(46,477)	(49,914)
Net premiums written	77,969	115,463	241,138
Decrease (increase) in net unearned premiums	27,309	53,364	(74,902)
Net premiums earned	105,278	168,827	166,236
Net investment income	120,398	109,828	99,920
Net realized gains	30,762	5,898	35,439
Total revenues	256,438	284,553	301,595
EXPENSES:			
Loss and loss adjustment expenses	(8,426)	3,646	42,894
Policy acquisition costs	13,072	15,060	19,592
(Increase) decrease in deferred policy acquisition costs	(3,940)	3,709	2,658
Other underwriting expenses	19,100	21,182	21,878
Total expenses	19,806	43,597	87,022
Income before provision for Federal income taxes	236,632	240,956	214,573
FEDERAL INCOME TAX EXPENSE (BENEFIT):			
Current	28,913	43,484	59,505
Deferred	19,841	7,741	(7,284)
Total Federal income tax expense	48,754	51,225	52,221
Net income before cumulative effect of change in accounting principle	187,878	189,731	162,352
Net cumulative effect of change in accounting principle	--	--	3,008
Net income	$187,878	$189,731	$165,360

</TABLE>

See accompanying notes to financial statements.

FINANCIAL GUARANTY INSURANCE COMPANY

STATEMENTS OF STOCKHOLDER'S EQUITY

($ in Thousands)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	NET UNREALIZED GAINS (LOSSES) ON FIXED MATURITY SECURITIES AVAILABLE-FOR-SALE, NET OF TAX	FOREIGN CURRENCY ADJUSTMENT	RETAINED EARNINGS
Balance, January 1, 1993	$2,500	$324,639	$7,267	$(1,597)	$618,615
Net income	-	-	-	-	165,360
Capital contribution	-	21,872	-	-	-
Adjustment to common stock par value	12,500	(12,500)	-	-	-
Unrealized gains on fixed maturity securities previously held at market, net of tax of ($713)	-	-	(1,325)	-	-
Implementation of change in accounting for adoption of SFAS 115, net of tax of $45,643	-	-	84,766	-	-
Foreign currency translation adjustment	-	-	-	(668)	-
Balance, December 31, 1993	15,000	334,011	90,708	(2,265)	783,975
Net income	-	-	-	-	189,731
Unrealized losses on fixed maturity securities available-for-sale, net of tax of ($71,336)	-	-	(132,481)	-	-
Foreign currency translation adjustment	-	-	-	1,044	-
Balance, December 31, 1994	15,000	334,011	(41,773)	(1,221)	973,706
Net income	-	-	-	-	187,878
Dividend paid	-	-	-	-	(25,000)
Unrealized gains on fixed maturity securities available for sale, net of tax of $56,839	-	-	105,558	-	-
Foreign currency translation adjustment	-	-	-	(278)	-
Balance, December 31, 1995	$15,000	$334,011	$63,785	$(1,499)	$1,136,584

See accompanying notes to financial statements.

FINANCIAL GUARANTY INSURANCE COMPANY

STATEMENTS OF CASH FLOWS

($ in Thousands)

	FOR THE YEAR ENDED DECEMBER 31, 1995	1994	1993
OPERATING ACTIVITIES:			
Net income	$187,878	$189,731	$165,360
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in accounting principle, net of tax	-	-	(3,008)
Change in unearned premiums	(29,890)	(45,927)	90,429
Change in loss and loss adjustment expense reserves	(20,938)	2,648	51,264

Depreciation of property and equipment	2,348	2,689	2,012
Change in reinsurance receivable	6,800	(304)	(9,040)
Change in prepaid reinsurance premiums	2,581	(7,437)	(15,527)
Change in foreign currency translation adjustment	(427)	1,607	(1,029)
Policy acquisition costs deferred	(16,219)	(18,306)	(19,592)
Amortization of deferred policy acquisition costs	12,279	22,015	22,250
Change in accrued investment income, and prepaid expenses and other assets	2,906	(5,150)	(9,048)
Change in other liabilities	(12,946)	2,577	7,035
Change in deferred income taxes	19,841	7,741	(7,284)
Amortization of fixed maturity securities	1,922	5,112	8,976
Change in current income taxes payable	(30,827)	33,391	30,089
Net realized gains on investments	(30,762)	(5,898)	(35,439)
	-------	-------	-------
Net cash provided by operating activities	94,546	184,489	277,448
	-------	-------	-------
INVESTING ACTIVITIES:			
Sales and maturities of fixed maturity securities	836,103	550,534	789,036
Purchases of fixed maturity securities	(891,108)	(721,908)	(1,090,550)
Purchases, sales and maturities of short-term investments, net	(15,358)	(11,486)	4,164
Purchases of property and equipment, net	(750)	(1,290)	(985)
	-------	-------	-------
Net cash used in investing activities	(71,113)	(184,150)	(298,335)
	-------	-------	-------
FINANCING ACTIVITIES:			
Dividends paid	(25,000)	-	-
Capital contribution	-	-	21,872
	-------	-------	-------
Net cash provided by financing activities	(25,000)	-	21,872
	-------	-------	-------
(Decrease) Increase in cash	(1,567)	339	985
Cash at beginning of year	1,766	1,427	442
	-------	-------	-------
Cash at end of year	$ 199	$ 1,766	$ 1,427
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</TABLE>

See accompanying notes to financial statements.

FINANCIAL GUARANTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

(1) BUSINESS

Financial Guaranty Insurance Company (the "Company"), a wholly-owned insurance subsidiary of FGIC Corporation (the "Parent"), provides financial guaranty insurance on newly issued municipal bonds and municipal bonds trading in the secondary market, the latter including bonds held by unit investment trusts and mutual funds. The Company also insures structured debt issues outside the municipal market. Approximately 88% of the business written since inception by the Company has been municipal bond insurance.

The Company insures only those securities that, in its judgment, are of investment grade quality. Municipal bond insurance written by the Company insures the full and timely payment of principal and interest when due on scheduled maturity, sinking fund or other mandatory redemption and interest payment dates to the holders of municipal securities. The Company's insurance policies do not provide for accelerated payment of the principal of, or interest on, the bond insured in the case of a payment default. If the issuer of a Company-insured bond defaults on its obligation to pay debt service, the Company will make scheduled interest and principal payments as due and is subrogated to the rights of bondholders to the extent of payments made by it.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared on the basis of generally accepted accounting principles ("GAAP") which differ in certain respects from the accounting practices prescribed or permitted by regulatory authorities (see Note 3). The prior years financial statements have been reclassified to conform to the 1995 presentation. Significant accounting policies are as follows:

INVESTMENTS

As of December 31, 1993, the Company adopted Statement of Financial Accounting Standards No. 115 ("SFAS 115"), "Accounting for Certain Investments in Debt and Equity Securities." The Statement defines three categories for classification of debt securities and the related accounting treatment for each respective category. The Company has determined that its fixed maturity securities portfolio should be classified as available-for-sale. Under SFAS 115, securities held as available-for-sale are recorded at fair value and unrealized holding gains/losses are recorded as a separate component of stockholder's equity, net of applicable income taxes.

Short-term investments are carried at cost, which approximates fair value. Bond discounts and premiums are amortized over the remaining terms of the securities. Realized gains or losses on the sale of investments are determined on the basis of specific identification.

PREMIUM REVENUE RECOGNITION

Premiums are earned over the period at risk in proportion to the amount of coverage provided which, for financial guaranty insurance policies, generally declines according to predetermined schedules.

When unscheduled refundings of municipal bonds occur, the related unearned premiums, net of premium credits allowed against the premiums charged for insurance of refunding issues and applicable acquisition costs, are earned immediately. Unearned premiums represent the portion of premiums written related to coverage yet to be provided on policies in force.

POLICY ACQUISITION COSTS

Policy acquisition costs include only those expenses that relate directly to premium production. Such costs include compensation of employees involved in underwriting, marketing and policy issuance functions, rating agency fees, state premium taxes and certain other underwriting expenses, offset by ceding commission income on premiums ceded to reinsurers (see Note 6). Net acquisition costs are deferred and amortized over the period in which the related premiums are earned. Anticipated loss and loss adjustment expenses are considered in determining the recoverability of acquisition costs.

LOSS AND LOSS ADJUSTMENT EXPENSES

Provision for loss and loss adjustment expenses is made in an amount equal to the present value of unpaid principal and interest and other payments due under insured risks at the balance sheet date for which, in management's judgment, the likelihood of default is probable. Such reserves amounted to $77.8 million and $98.7 million at December 31, 1995 and 1994, respectively. As of December 31, 1995 and 1994, such reserves included $28.8 million and $71.0 million, respectively, established based on an evaluation of the insured portfolio in light of current economic conditions and other relevant factors. Loss and loss adjustment expenses include amounts discounted at an interest rate of 5.5% in 1995 and 7.8% in 1994. The reserve for loss and loss adjustment expenses is necessarily based upon estimates, however, in managements opinion the reserves for loss and loss adjustment expenses is adequate. However, actual results will likely differ from those estimates.

INCOME TAXES

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These temporary differences relate principally to unrealized gains (losses) on fixed maturity securities available-for-sale, premium revenue recognition, deferred acquisition costs and deferred compensation. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Financial guaranty insurance companies are permitted to deduct from taxable income, subject to certain limitations, amounts added to statutory contingency reserves (see Note 3). The amounts deducted must be included in taxable income upon their release from the reserves or upon earlier release of such amounts from such reserves to cover excess losses as permitted by insurance regulators. The amounts deducted are allowed as deductions from taxable income only to the extent that U.S. government non-interest bearing tax and loss bonds are purchased and held in an amount equal to the tax benefit attributable to such deductions.

PROPERTY AND EQUIPMENT

Property and equipment consists of furniture, fixtures, equipment and leasehold improvements which are recorded at cost and are charged to income over their estimated service lives. Office furniture and equipment are depreciated straight-line over five years. Leasehold improvements are amortized over their estimated service life or over the life of the lease, whichever is shorter. Computer equipment and software are depreciated over three years. Maintenance and repairs are charged to expense as incurred.

FOREIGN CURRENCY TRANSLATION

The Company has established foreign branches in France and the United Kingdom and determined that the functional currencies of these branches are local currencies. Accordingly, the assets and liabilities of these foreign branches are translated into U.S. dollars at the rates of exchange existing at December 31, 1995 and 1994 and revenues and expenses are translated at average monthly exchange rates. The cumulative translation loss at December 31, 1995 and 1994 was $1.5 million and $1.2 million, respectively, net of tax, and is reported as a separate component of stockholder's equity.

(3) STATUTORY ACCOUNTING PRACTICES

The financial statements are prepared on the basis of GAAP, which differs in certain respects from accounting practices prescribed or permitted by state insurance regulatory authorities. The following are the significant ways in which statutory-basis accounting practices differ from GAAP:

(a) premiums are earned in proportion to the reduction of the related risk rather than in proportion to the coverage provided;
(b) policy acquisition costs are charged to current operations as incurred rather than as related premiums are earned;
(c) a contingency reserve is computed on the basis of statutory requirements for the security of all policyholders, regardless of whether loss contingencies actually exist, whereas under GAAP, a reserve is established based on an ultimate estimate of exposure;
(d) certain assets designated as non-admitted assets are charged directly against surplus but are reflected as assets under GAAP, if recoverable;
(e) federal income taxes are only provided with respect to taxable income for which income taxes are currently payable, while under GAAP taxes are also provided for

differences between the financial reporting and the tax bases of assets and liabilities;

(f) purchases of tax and loss bonds are reflected as admitted assets, while under GAAP they are recorded as federal income tax payments; and

(g) all fixed income investments are carried at amortized cost rather than at fair value for securities classified as available-for-sale under GAAP.

The following is a reconciliation of net income and stockholder's equity presented on a GAAP basis to the corresponding amounts reported on a statutory-basis for the periods indicated below (in thousands):

<TABLE>

<CAPTION>

	YEARS ENDED DECEMBER 31,					
	1995		1994		1993	
	NET INCOME	STOCKHOLDER'S EQUITY	NET INCOME	STOCKHOLDER'S EQUITY	NET INCOME	STOCKHOLDER'S EQUITY
<S>	<C>	<C>	<C>	<C>	<C>	<C>
GAAP basis amount	$187,878	$1,547,881	$189,731	$1,279,723	$165,360	$1,221,429
Premium revenue recognition	(22,555)	(166,927)	(4,970)	(144,372)	(16,054)	(139,401)
Deferral of acquisition costs	(3,940)	(94,868)	3,709	(90,928)	2,658	(94,637)
Contingency reserve	-	(386,564)	-	(328,073)	-	(252,542)
Non-admitted assets	-	(5,731)	-	(7,566)	-	(8,951)
Case basis loss reserves	4,048	(52)	(3,340)	(4,100)	1,626	(759)
Portfolio loss reserves	(22,100)	24,000	(11,050)	46,100	43,650	57,150
Deferral of income taxes (benefits)	19,842	64,825	7,741	45,134	(7,284)	35,209
Unrealized gains (losses) on fixed maturity securities held at fair value, net of tax	-	(63,785)	-	41,773	-	(90,708)
Recognition of profit commission	3,096	(5,744)	(2,410)	(8,840)	(4,811)	(4,811)
Provision for unauthorized reinsurance	-	-	-	(266)	-	-
Contingency reserve tax deduction (see Note 2)	-	78,196	-	55,496	-	45,402
Allocation of tax benefits due to Parent's net operating loss to the Company (see Note 5)	637	10,290	(63)	9,653	-	9,716
Statutory-basis amount	$166,906	$1,001,521	$179,348	$893,734	$185,145	$ 777,097

</TABLE>

(4) INVESTMENTS

Investments in fixed maturity securities carried at fair value of $3.2 million and $3.0 million as of December 31, 1995 and 1994, respectively, were on deposit with various regulatory authorities as required by law.

The amortized cost and fair values of short-term investments and of investments in fixed maturity securities classified as available-for-sale are as follows (in thousands):

<TABLE>
<CAPTION>

1995	AMORTIZED COST	GROSS UNREALIZED HOLDING GAINS	GROSS UNREALIZED HOLDING LOSSES	FAIR VALUE
<S>	<C>	<C>	<C>	<C>
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 71,182	$ 1,696	-	$ 72,878
Obligations of states and political subdivisions	1,942,001	98,458	$ 1,625	2,038,834
Debt securities issued by foreign governments	30,270	152	550	29,872
Investments available-for-sale	2,043,453	100,306	2,175	2,141,584
Short-term investments	91,032	-	-	91,032
Total	$ 2,134,485	$ 100,306	$ 2,175	$ 2,232,616

</TABLE>

The amortized cost and fair values of short-term investments and of investments in fixed maturity securities available-for-sale at December 31, 1995, by contractual maturity date, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<TABLE>
<CAPTION>

1995	AMORTIZED COST	FAIR VALUE
<S>	<C>	<C>
Due in one year or less	$ 99,894	$ 99,984
Due after one year through five years	137,977	141,235
Due after five years through ten years	287,441	300,560
Due after ten years through twenty years	1,406,219	1,476,261
Due after twenty years	202,954	214,576
Total	$ 2,134,485	$ 2,232,616

</TABLE>

<TABLE>
<CAPTION>

	AMORTIZED	GROSS UNREALIZED HOLDING	GROSS UNREALIZED HOLDING	FAIR

1994	COST	GAINS	LOSSES	VALUE
<S>	<C>	<C>	<C>	<C>
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 10,945	$ 8	$ (519)	$ 10,434
Obligations of states and political subdivisions	1,839,566	25,809	(85,200)	1,780,175
Debt securities issued by foreign governments	103,666	400	(4,765)	99,301
Investments available-for-sale	1,954,177	26,217	(90,484)	1,889,910
Short-term investments	75,674	-	-	75,674
Total	$ 2,029,851	$ 26,217	$ (90,484)	$ 1,965,584

</TABLE>

In 1995, 1994 and 1993, proceeds from sales of investments in fixed maturity securities available-for-sale carried at fair value were $836.1 million, $550.5 million, and $789.0 million, respectively. For 1995, 1994 and 1993 gross gains of $36.3 million, $18.2 million and $36.1 million respectively, and gross losses of $5.5 million, $12.3 million and $1.0 million respectively, were realized on such sales.

Net investment income of the Company is derived from the following sources (in thousands):

<TABLE>
<CAPTION>

	Year Ended December 31,		
	1995	1994	1993
<S>	<C>	<C>	<C>
Income from fixed maturity securities	$ 112,684	$ 108,519	$ 97,121
Income from short-term investments	8,450	2,479	3,914
Total investment income	121,134	110,998	101,035
Investment expenses	736	1,170	1,115
Net investment income	$ 120,398	$ 109,828	$ 99,920

</TABLE>

As of December 31, 1995, the Company did not have more than 10% of its investment portfolio concentrated in a single issuer or industry.

(5) INCOME TAXES

The Company files a federal tax return as part of the consolidated return of General Electric Capital Corporation ("GE Capital"). Under a tax sharing agreement with GE Capital, taxes are allocated to the Company and the Parent based upon their respective contributions to consolidated net income. The Company's effective federal corporate tax rate (20.6 percent in 1995, 21.3 percent in 1994 and 24.3 percent in 1993) is less than the corporate tax rate on ordinary income of 35 percent in 1995, 1994 and 1993.

Federal income tax expense (benefit) relating to operations of the Company for 1995, 1994 and 1993 is comprised of the following (in thousands):

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
<S>	<C>	<C>	<C>
Current tax expense	$28,913	$43,484	$59,505
Deferred tax expense	19,841	7,741	(7,284)
Federal income tax expense	$48,754	$51,225	$52,221

</TABLE>

The following is a reconciliation of federal income taxes computed at the statutory rate and the provision for federal income taxes (in thousands):

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
<S>	<C>	<C>	<C>
Income taxes computed on income before provision for federal income taxes, at the statutory rate	$82,821	$84,334	$75,101
Tax effect of:			
Tax-exempt interest	(30,630)	(30,089)	(27,185)
Other, net	(3,437)	(3,020)	4,305
Provision for income taxes	$48,754	$51,225	$52,221

</TABLE>

The tax effects of temporary differences that give rise to significant portions of the deferred tax liabilities at December 31, 1995 and 1994 are presented below (in thousands):

<TABLE>
<CAPTION>

	1995	1994
<S>	<C>	<C>
Deferred tax assets:		
Unrealized losses on fixed maturity securities, available-for-sale	-	$22,493
Loss reserves	$8,382	16,136
Deferred compensation	5,735	9,685
Tax over book capital gains	1,069	365
Other	3,248	3,760
Total gross deferred tax assets	18,434	52,439
Deferred tax liabilities:		
Unrealized gains on fixed maturity securities, available-for-sale	34,346	-
Deferred acquisition costs	33,204	31,825
Premium revenue recognition	32,791	24,674
Rate differential on tax and loss bonds	9,454	9,454
Other	7,810	9,126
Total gross deferred tax liabilities	117,605	75,079

Net deferred tax liability	$ 99,171	$22,640

</TABLE>

Based upon the level of historical taxable income, projections of future taxable income over the periods in which the deferred tax assets are deductible and the estimated reversal of future taxable temporary differences, the Company believes it is more likely than not that it will realize the benefits of these deductible differences and has not established a valuation allowance at December 31, 1995 and 1994. The company anticipates that the related deferred tax asset will be realized.

Total federal income tax payments during 1995, 1994 and 1993 were $59.8 million, $10.1 million, and $29.4 million, respectively.

(6) Reinsurance

The Company reinsures portions of its risk with other insurance companies through quota share reinsurance treaties and, where warranted, on a facultative basis. This process serves to limit the Company's exposure on risks underwritten. In the event that any or all of the reinsuring companies were unable to meet their obligations, the Company would be liable for such defaulted amounts. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from activities or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. The Company holds collateral under reinsurance agreements in the form of letters of credit and trust agreements in various amounts with various reinsurers totaling $33.7 million that can be drawn on in the event of default.

Effective January 1, 1993, the Company adopted the Emerging Issues Task Force Issue 93-6, "Accounting for Multiple-Year Retrospectively-Rated Contracts by Ceding and Assuming Enterprises" ("EITF 93-6"). EITF 93-6 requires that an asset be recognized by a ceding company to the extent a payment would be received from the reinsurer based on the contract's experience to date, regardless of the outcome of future events. To reflect the adoption of EITF 93-6 in the accompanying financial statements, an initial adjustment of $4.6 million, before applicable income taxes, has been reflected in the 1993 income statement.

Net premiums earned are presented net of ceded earned premiums of $21.9 million, $39.0 million and $34.4 million for the years ended December 31, 1995, 1994 and 1993, respectively. Loss and loss adjustment expenses incurred are presented net of ceded losses of $1.1 million, $0.3 million and $9.1 million for the years ended December 31, 1995, 1994 and 1993, respectively.

(7) Loss and Loss Adjustment Expenses

Activity in the reserve for loss and loss adjustment expenses is summarized as follows (in thousands):

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1995	1994	1993
<S>	<C>	<C>	<C>
Balance at January 1,	$98,746	$96,098	$44,834
Less reinsurance recoverable	14,472	14,168	5,128
Net balance at January 1,	84,274	81,930	39,706
Incurred related to:			
Current year	26,681	15,133	-

Prior years	(1,207)	(437)	(756)
Portfolio reserves	(33,900)	(11,050)	43,650
Total Incurred	(8,426)	3,646	42,894
Paid related to:			
Current year	(197)	(382)	-
Prior years	(5,515)	(920)	(670)
Total Paid	(5,712)	(1,302)	(670)
Net balance at December 31,	70,136	84,274	81,930
Plus reinsurance recoverable	7,672	14,472	14,168
Balance at December 31,	$77,808	$98,746	$96,098

</TABLE>

The changes in incurred portfolio reserves principally relate to business written in prior years. The changes are based upon an evaluation of the insured portfolio in light of current economic conditions and other relevant factors.

(8) RELATED PARTY TRANSACTIONS

The Company has various agreements with subsidiaries of General Electric Company ("GE") and GE Capital. These business transactions include appraisal fees and due diligence costs associated with underwriting structured finance mortgage-backed security business; payroll and office expenses incurred by the Company's international branch offices but processed by a GE subsidiary; investment fees pertaining to the management of the Company's investment portfolio; and telecommunication service charges. Approximately $3.2 million, $3.2 million and $1.0 million in expenses were incurred in 1995, 1994 and 1993, respectively, related to such transactions.

The Company also insured certain non-municipal issues with GE Capital involvement as sponsor of the insured securitization and/or servicer of the underlying assets. For some of these issues, GE Capital also provides first loss protection in the event of default. Gross premiums written on these issues amounted to $1.3 million in 1995, 2.5 million in 1994, and $3.3 million in 1993.

The Company insures bond issues and securities in trusts that were sponsored by affiliates of GE (approximately 1 percent of gross premiums written in 1995 and 1994 and 2 percent in 1993).

(9) COMPENSATION PLANS

Officers and other key employees of the Company participate in the Parent's incentive compensation, deferred compensation and profit sharing plans. Expenses incurred by the Company under compensation plans and bonuses amounted to $7.5 million, $12.2 million and $16.7 million in 1995, 1994 and 1993, respectively, before deduction for related tax benefits.

(10) DIVIDENDS

Under New York insurance law, the Company may pay a dividend only from earned surplus subject to the following limitations: (a) statutory surplus after such dividend may not be less than the minimum required paid-in capital, which was $2.1 million in 1995 and 1994, and (b) dividends may not exceed the lesser of 10 percent of its surplus or 100 percent of adjusted net investment income, as defined by New York insurance law, for the 12 month period ending on the preceding December 31, without the prior approval of the Superintendent of the New York State Insurance Department. At December 31, 1995 and 1994, the amount of the Company's surplus available for dividends was approximately $100.2 million and $89.3 million, respectively.

During 1995, the company paid dividends of $25 million. No dividends were paid during 1994 or 1993.

(11) FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating fair values of financial instruments:

FIXED MATURITY SECURITIES: Fair values for fixed maturity securities are based on quoted market prices, if available. If a quoted market price is not available, fair values is estimated using quoted market prices for similar securities. Fair value disclosure for fixed maturity securities is included in the balance sheets and in Note 4.

SHORT-TERM INVESTMENTS: Short-term investments are carried at cost, which approximates fair value.

CASH, RECEIVABLE FOR SECURITIES SOLD, AND PAYABLE FOR SECURITIES PURCHASED: The carrying amounts of these items approximate their fair values.

The estimated fair values of the Company s financial instruments at December 31, 1995 and 1994 are as follows (in thousands):

<TABLE>
<CAPTION>

	1995		1994	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
<S>	<C>	<C>	<C>	<C>
FINANCIAL ASSETS				
Cash				
On hand and in demand accounts	$ 199	$ 199	$ 1,766	$ 1,766
Short-term investments	91,032	91,032	75,674	75,674
Fixed maturity securities	2,141,58	2,141,584	1,889,910	1,889,910

</TABLE>

FINANCIAL GUARANTIES: The carrying value of the Company's financial guaranties is represented by the unearned premium reserve, net of deferred acquisition costs, and loss and loss adjustment expense reserves. Estimated fair values of these guaranties are based on amounts currently charged to enter into similar agreements (net of applicable ceding commissions), discounted cash flows considering contractual revenues to be received adjusted for expected prepayments, the present value of future obligations and estimated losses, and current interest rates. The estimated fair values of such financial guaranties range between $412.8 million and $456.2 million compared to a carrying value of $540.6 million as of December 31, 1995 and between $518.1 million and $565.9 million compared to a carrying value of $585.1 million as of December 31, 1994.

Concentrations of Credit Risk

The Company considers its role in providing insurance to be credit enhancement rather than credit substitution. The Company insures only those securities that, in its judgment, are of investment grade quality. The Company has established and maintains its own underwriting standards that are based on those aspects of credit that the Company deems important for the particular category of obligations considered for insurance. Credit criteria include economic and social trends, debt management, financial management and legal and administrative factors, the adequacy of anticipated cash flows, including the historical and expected performance of assets pledged for payment of securities under varying economic scenarios and underlying levels of protection such as insurance or overcollateralization.

In connection with underwriting new issues, the Company sometimes requires, as a condition to insuring an issue, that collateral be pledged or, in some instances, that a third-party guarantee be provided for a term of the obligation insured by a party of acceptable credit quality obligated to make payment prior to any payment by the Company. The types and extent of collateral pledged varies, but may include residential and commercial mortgages, corporate debt, government debt and consumer receivables.

As of December 31, 1995, the Company's total insured principal exposure to credit loss in the event of default by bond issuers was $98.7 billion, net of reinsurance of $20.7 billion. The Company's insured portfolio as of December 31, 1995 was broadly diversified by geography and bond market sector with no single debt issuer representing more than 1% of the Company's principal exposure outstanding, net of reinsurance.

As of December 31, 1995, the composition of principal exposure by type of issue, net of reinsurance, was as follows (in millions):

	NET PRINCIPAL OUTSTANDING
Municipal:	
General obligation	$43,308.2
Special revenue	38,137.9
Industrial revenue	2,480.0
Non-municipal	14,734.2
Total	$98,660.3

The Company is authorized to do business in 50 states, the District of Columbia, and in the United Kingdom and France. Principal exposure outstanding at December 31, 1995 by state, net of reinsurance, was as follows (in millions):

	Net Principal Outstanding
California	$ 10,440.2
Florida	8,869.3
Pennsylvania	8,653.4
New York	7,706.7
Illinois	5,697.5
Texas	5,478.7
New Jersey	4,181.9
Michigan	3,385.9
Arizona	2,776.9
Ohio	2,327.7
Sub-total	59,518.2
Other states and International	39,142.1
Total	$98,660.3

</TABLE>

(12) COMMITMENTS

Total rent expense was $2.2 million, $2.6 million and $2.4 million in 1995, 1994 and 1993, respectively. For each of the next five years and in the aggregate as of December 31, 1995, the minimum future rental payments under noncancellable operating leases having remaining terms in excess of one year approximate (in thousands):

<TABLE>
<CAPTION>

Year	Amount
<S>	<C>
1996	$ 2,297
1997	2,909
1998	2,909
1999	2,909
2000	2,909
Subsequent to 2000	2,911
Total minimum future rental payments	$16,844

</TABLE>

APPENDIX B

UNAUDITED FINANCIAL STATEMENTS

FINANCIAL GUARANTY INSURANCE COMPANY

SIX MONTHS ENDED JUNE 30, 1996

EXHIBIT 99.4

FINANCIAL GUARANTY INSURANCE COMPANY

UNAUDITED INTERIM FINANCIAL STATEMENTS

JUNE 30, 1996

FINANCIAL GUARANTY INSURANCE COMPANY

BALANCE SHEETS

<TABLE>
<CAPTION>

($ IN THOUSANDS)

	JUNE 30, 1996 (UNAUDITED)	DECEMBER 31, 1995
<S>	<C>	<C>
ASSETS		
Fixed maturity securities, available for sale, at fair value (amortized cost of $2,066,231 in 1996 and $2,043,453 in 1995)	$2,057,812	$2,141,584
Short-term investments, at cost, which approximates market	133,832	91,032
Cash	1,294	199
Accrued investment income	37,753	37,347
Reinsurance receivable	7,358	7,672
Deferred policy acquisition costs	93,100	94,868
Property, plant and equipment net of accumulated depreciation of $14,094 in 1996 and $12,861 in 1995	5,573	6,314
Prepaid reinsurance premiums	156,055	162,088
Prepaid expenses and other assets	50,908	39,198
Total assets	$2,543,685	$2,580,302
LIABILITIES AND STOCKHOLDER'S EQUITY		
Liabilities:		
Unearned premiums	698,149	727,535
Losses and loss adjustment expenses	71,034	77,808
Ceded reinsurance payable	2,777	1,942
Accounts payable and accrued expenses	38,035	32,811
Due to parent	267	1,647
Current federal income taxes payable	67,077	51,296
Deferred federal income taxes payable	63,850	99,171

Payable for securities purchased	32,186	40,211
Total liabilities	973,375	1,032,421

Stockholder's Equity:

Common stock, par value $1,500 per share at June 30, 1996 and at December 31, 1995: 10,000 shares authorized, issued and outstanding	15,000	15,000
Additional paid-in capital	334,011	334,011
Net unrealized (losses) gains on fixed maturity securities available for sale, net of tax	(5,472)	63,785
Foreign currency translation adjustment	(2,296)	(1,499)
Retained earnings	1,229,067	1,136,584
Total stockholder's equity	1,570,310	1,547,881
Total liabilities and stockholder's equity	$2,543,685	$2,580,302

</TABLE>

See accompanying notes to interim financial statements

FINANCIAL GUARANTY INSURANCE COMPANY

STATEMENTS OF INCOME

($ IN THOUSANDS)

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30, 1996	1995
	(UNAUDITED)	
<S>	<C>	<C>
REVENUES:		
Gross premiums written	$ 45,481	$ 42,773
Ceded premiums	(6,643)	(5,965)
Net premiums written	38,838	36,808
Decrease in net unearned premiums	23,353	18,136
Net premiums earned	62,191	54,944
Net investment income	61,513	59,327
Net realized gains	8,348	17,446
Total revenues	132,052	131,717

EXPENSES:

Losses and loss adjustment expenses	(2,702)	815
Policy acquisition costs	9,637	5,308
Other underwriting expenses	7,561	8,662
	--------	--------
Total expenses	14,496	14,785
	--------	--------
Income before provision for federal income taxes	117,556	116,932
Provision for federal income taxes	25,071	25,066
	--------	--------
Net income	$ 92,485	$ 91,866
	--------	--------
	--------	--------

</TABLE>

See accompanying notes to interim financial statements

FINANCIAL GUARANTY INSURANCE COMPANY

STATEMENTS OF CASH FLOW

($ IN THOUSANDS)

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30, 1996	1995
	(UNAUDITED)	
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net income	$ 92,485	$ 91,866
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for deferred income taxes	2,400	11,991
Amortization of fixed maturity securities	398	1,096
Policy acquisition costs deferred	(8,565)	(10,254)
Amortization of deferred policy acquisition costs	10,333	5,308
Depreciation of fixed assets	1,233	1,167
Change in reinsurance receivable	314	4,569
Change in prepaid reinsurance premiums	6,033	5,877
Foreign currency translation adjustment	(1,226)	972
Change in accrued investment income, prepaid expenses and other assets	(12,116)	(3,483)
Change in unearned premiums	(29,386)	(24,013)
Change in losses and loss adjustment expense reserves	(6,774)	(4,617)
Change in other liabilities	4,678	(11,076)
Change in current income taxes payable	15,781	(9,625)
Net realized gains on investments	(8,348)	(17,446)
	--------	--------

Net cash provided by operating activities	67,240	42,332
Investing activities:		
Sales or maturities of fixed maturity securities	406,676	478,328
Purchases of fixed maturity securities	(429,529)	(413,181)
Sales or maturities (purchases) of short-term investments, net	(42,800)	(102,414)
Purchases of property and equipment, net	(492)	(354)
Net cash used for investing activities	(66,145)	(37,621)
Increase (decrease) in cash	1,095	4,711
Cash at beginning of period	199	1,766
Cash at end of period	$ 1,294	$ 477

</TABLE>

See accompanying notes to interim financial statements

FINANCIAL GUARANTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

June 30, 1996 and 1995
(Unaudited)

(1) BASIS OF PRESENTATION

The interim financial statements of Financial Guaranty Insurance Company (the Company) in this report reflect all adjustments necessary, in the opinion of management, for a fair statement of (a) results of operations for the six months ended June 30, 1996 and 1995, (b) the financial position at June 30, 1996 and December 31, 1995, and (c) cash flows for the six months ended June 30, 1996 and 1995.

These interim financial statements should be read in conjunction with the financial statements and related notes included in the 1995 audited financial statements. The 1995 financial statements have been reclassified to conform to the 1996 presentation.

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) STATUTORY ACCOUNTING PRACTICES

The financial statements are prepared on the basis of GAAP, which differs in certain respects from accounting practices prescribed or permitted by state insurance regulatory authorities. The following are the significant ways in which statutory basis accounting practices differ from GAAP:

(a) premiums are earned in proportion to the reduction of the related risk rather than in proportion to the coverage provided;
(b) policy acquisition costs are charged to current operations as incurred rather than as related premiums are earned;
(c) a contingency reserve is computed on the basis of statutory requirements for the security of all policyholders, regardless of whether loss contingencies actually exist, whereas under GAAP, a reserve is established based on an ultimate estimate of exposure;
(d) certain assets designated as "non-admitted assets" are charged directly against surplus but are reflected as assets under GAAP, if recoverable;
(e) federal income taxes are only provided with respect to taxable income for which income taxes are currently payable, while under GAAP taxes are also provided for differences between the financial reporting and tax bases of assets and liabilities;
(f) purchases of tax and loss bonds are reflected as admitted assets, while under GAAP they are recorded as federal income tax payments; and
(g) all fixed income investments are carried at amortized cost, rather than at fair value for securities classified as "Available for Sale" under GAAP.

The following is a reconciliation of the net income and stockholder's equity of Financial Guaranty prepared on a GAAP basis to the corresponding amounts reported on a statutory basis for the periods indicated below:

<TABLE>

<CAPTION>

	SIX MONTHS ENDED JUNE 30,			
	1996		1995	
	NET INCOME	STOCKHOLDER'S EQUITY	NET INCOME	STOCKHOLDER'S EQUITY
<S>	<C>	<C>	<C>	<C>
GAAP basis amount	$92,485	$1,570,310	$ 91,866	$1,441,820
Premium revenue recognition	(4,061)	(170,988)	(9,905)	(154,322)

Deferral of acquisition costs	1,768	(93,100)	(4,946)	(95,874)
Contingency reserve	-	(415,603)	-	(357,817)
Non-admitted assets	-	(4,837)	-	(6,579)
Case-basis losses incurred and salvage recoverable	(3,394)	(3,446)	6,631	2,531
Portfolio loss reserves	-	24,000	(10,900)	35,200
Deferral of income tax	2,400	66,796	11,991	57,466
Unrealized gains on fixed maturity securities held at fair value, net of taxes	-	5,472	-	(27,827)
Profit commission	1,273	(4,471)	4,909	(3,931)
Contingency reserve tax deduction	-	85,176	-	78,196
Provision for unauthorized reinsurance	-	-	-	(266)
Allocation of tax benefits due to Parent's net operating loss to the Company	(4)	10,287	244	9,898
Statutory basis amount	$90,467	$1,069,596	$89,845	$978,495

</TABLE>

(3) DIVIDENDS

Under New York Insurance Law, the Company may pay a dividend only from earned surplus subject to the following limitations:

- Statutory surplus after dividends may not be less than the minimum required paid-in capital, which was $2,100,000 in 1996.

- Dividends may not exceed the lesser of 10 percent of its surplus or 100 percent of adjusted net investment income, as defined therein, for the twelve month period ending on the preceding December 31, without the prior approval of the Superintendent of the New York State Insurance Department.

The amount of the Company's surplus available for dividends during 1996 is approximately $106.2 million.

(4) INCOME TAXES

The Company's effective Federal corporate tax rate (21.3 percent and 21.4 percent for the six months ended June 30, 1996 and 1995, respectively) is less than the statutory corporate tax rate (35 percent in 1996 and 1995) on ordinary income due to permanent differences between financial and taxable income, principally tax-exempt interest.

(5) REINSURANCE

In accordance with Statement of Financial Accounting Standards No. 113 ("SFAS 113"), "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts", adopted in 1993, the Company reports assets and liabilities relating to reinsured contracts gross of the effects of reinsurance. Net premiums earned are shown net of premiums ceded of $12.7 million and $11.6 million, respectively, for the six months ended June 30, 1996 and 1995.