

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
SEC Accession No. **0000927356-99-000462**

([HTML Version](#) on secdatabase.com)

FILER

MATRIX BANCORP INC

CIK: **944725** | IRS No.: **841233716** | State of Incorporation: **CO** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **000-21231** | Film No.: **99574297**
SIC: **6162** Mortgage bankers & loan correspondents

Mailing Address
*1380 LAWRENCE STREET
SUITE 1410
DENVER CO 80204*

Business Address
*1380 LAWRENCE ST
STE 1410
DENVER CO 80204
3035959898*

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

FORM 10-K

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: 0-21231

MATRIX BANCORP, INC.

(Exact name of registrant as specified in its charter)

COLORADO
(State or other jurisdiction of
incorporation or organization)

84-1233716
(I.R.S. Employer
Identification No.)

1380 LAWRENCE STREET, SUITE 1400
DENVER, COLORADO
(Address of principal executive offices)

80204
(Zip Code)

Registrant's telephone number, including area code: (303) 595-9898

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

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, PAR VALUE \$.0001 PER SHARE
(Title of class)

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

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.

As of March 12, 1999, 6,724,911 shares of common stock were outstanding. The
aggregate market value of common stock held by non-affiliates of the registrant,
based on the closing sales price of such stock on the NASDAQ National Market on
March 11, 1999, was \$55,441,449. For purposes of this computation, all executive
officers, directors and 10% beneficial owners of the registrant are deemed to be
affiliates. Such determination should not be deemed an admission that such
executive officers, directors and 10% beneficial owners are affiliates.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Company's definitive proxy statement for the Annual Meeting of
Shareholders to be held May 14, 1999 are incorporated by reference into Part III
of this Form 10-K.

TABLE OF CONTENTS

<TABLE> <CAPTION>	PAGE
<S>	----
	<C>
PART I	
Item 1. Business.....	3
Item 2. Properties.....	19
Item 3. Legal Proceedings.....	19
Item 4. Submission of Matters to a Vote of Security Holders.....	20

PART II

Item 5.	Market for Registrant's Common Equity and Related Stockholder Matters.....	20
Item 6.	Selected Financial Data.....	21
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	22
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk.....	44
Item 8.	Financial Statements and Supplementary Data.....	44
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.....	44

PART III

Item 10.	Directors and Executive Officers of the Registrant.....	44
Item 11.	Executive Compensation.....	44
Item 12.	Security Ownership of Certain Beneficial Owners and Management.....	44
Item 13.	Certain Relationships and Related Transactions.....	44

PART IV

Item 14.	Exhibits, Financial Statement Schedules, and Reports on Form 8-K.....	45
----------	---	----

</TABLE>

PART I

ITEM 1. BUSINESS

GENERAL

Matrix Bancorp, Inc. ("Matrix Bancorp" or the "Company"), formerly Matrix Capital Corporation, is a unitary thrift holding company that, through its subsidiaries (the "Subsidiaries"), focuses on traditional banking, mortgage banking and the administration of self-directed trust accounts. The Company's traditional banking activities include originating and servicing residential, commercial and consumer loans and providing a broad range of depository services. The Company's mortgage banking activities consist of purchasing and selling residential mortgage loans and residential mortgage servicing rights; offering brokerage, consulting and analytical services to financial services companies and financial institutions; servicing residential mortgage portfolios for investors; originating residential mortgages; and providing real estate management and disposition services. The Company's trust activities focus primarily on the administration of self-directed individual retirement accounts, qualified retirement plans, and custodial and directed trust accounts, as well as offering specialized custody and clearing services to investment professionals. The Company was incorporated in Colorado in June 1993. Its principal executive offices are located at 1380 Lawrence Street, Suite 1400, Denver, Colorado 80204, and its telephone number is (303) 595-9898.

In December 1998, the Company changed its name to "Matrix Bancorp, Inc." The name change was approved by the shareholders at the 1998 Annual Meeting of Shareholders held on May 1, 1998. The Company's management group believes that the name change more accurately reflects the true nature of the investment activities undertaken by the Company. The trading symbol for the Company's common stock on the NASDAQ National Market will continue to be "MTXC."

THE SUBSIDIARIES

The Company's core business operations are conducted through the following operating Subsidiaries:

MATRIX BANK. With its main office in Las Cruces, New Mexico, full service branches in Sun City, Arizona and Las Cruces, New Mexico, and loan offices in Denver and Evergreen, Colorado (near Denver), Matrix Capital Bank ("Matrix Bank") serves its local communities by providing a broad range of personal and business depository services, offering residential loans, and providing consumer and commercial real estate loans. Matrix Bank also holds the noninterest-bearing custodial escrow deposits related to the residential mortgage loan portfolio serviced by Matrix Financial Services Corporation ("Matrix Financial") and the interest-bearing money market accounts administered by Sterling Trust Company ("Sterling Trust"). See "--Matrix Financial" and "--The Vintage Group." These custodial escrow deposits and money market accounts under administration, as well as other traditional deposits, are used to fund bulk purchases of residential mortgage loan portfolios throughout the United States, a substantial portion of which are serviced by Matrix Financial following their purchase. As of December 31, 1998, Matrix Bank was deemed to be "well capitalized" under applicable regulatory standards. See "--Regulation and Supervision--Matrix Bank's Capital Ratios."

UNITED FINANCIAL. United Financial, Inc. ("United Financial") provides brokerage and consulting services to financial institutions and financial services companies in the mortgage banking industry. These services include the brokering and analysis of residential mortgage loan servicing rights ("MSRs")

and residential mortgage loans, corporate and mortgage loan servicing portfolio valuations (which includes the "mark-to-market" valuation and analysis required under Statement of Financial Accounting Standards No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities ("FAS 125")), and to a lesser extent, consultation and brokerage services in connection with mergers and acquisitions of mortgage banking entities. United Financial provides brokerage services to mortgage banking entities, such as Crossland Mortgage Corp., Chase Manhattan Mortgage and AccuBanc Mortgage. During 1998 and 1997, United Financial brokered the sale of 68 and 91 mortgage loan servicing portfolios totaling \$66.4 billion and \$33.4 billion in outstanding mortgage loan principal balances, respectively. As a result of this volume of brokerage activity and the expertise of the United Financial analytics department, the Company has access to a wide array of information relating to the mortgage banking industry, including emerging market trends, prevailing market prices, pending regulatory changes and changes in levels of supply and demand. Consequently, the Company is often able to identify certain types of mortgage loan servicing portfolios that are well suited to its particular servicing platform and unique corporate structure.

MATRIX FINANCIAL. Matrix Financial acquires MSRs on a nationwide basis through purchases in the secondary market, services the loans underlying the MSRs and originates mortgage loans through its wholesale loan origination network. As of December 31, 1998, Matrix Financial serviced 78,346 borrower accounts representing \$5.4 billion in principal balances (excluding \$9.9 million in subservicing for non-affiliates of the Company), the majority of which were seasoned loans having

3

lower principal and higher custodial escrow balances than newly originated mortgage loans. As a servicer of mortgage loans, Matrix Financial is required to establish custodial escrow accounts for the deposit of borrowers' payments, which may include principal, interest, taxes and insurance. These payments are held at Matrix Bank. At December 31, 1998, the custodial escrow accounts related to the Company's servicing portfolio maintained at Matrix Bank were \$89.5 million in the aggregate. For the calendar year 1998, Matrix Financial originated \$575.0 million in residential mortgage loans primarily through its regional wholesale production offices located in Atlanta, Denver, Las Vegas and Phoenix. The mortgage loans originated by Matrix Financial are typically sold in the secondary market.

THE VINTAGE GROUP. In early 1997, the Company acquired The Vintage Group, Inc. ("Vintage"). Vintage's subsidiaries, Sterling Trust and First Matrix Investment Services Corporation ("First Matrix") are located in Waco and Arlington, Texas, respectively. Sterling Trust was incorporated in 1984 as a Texas independent, non-bank trust company specializing in the administration of self-directed individual retirement accounts, qualified retirement plans, and custodial and directed trust accounts. As of December 31, 1998, Sterling Trust administered in excess of 36,000 accounts with assets under administration of almost \$2.1 billion; approximately \$137.0 million of which represented interest-bearing deposits under administration held at Matrix Bank. First Matrix is a NASD broker/dealer that provides services to individuals and deferred contribution plans.

UNITED CAPITAL MARKETS. United Capital Markets, Inc. ("UCM") is a Registered Investment Advisor that focuses on risk management services for institutional clients. It provides a professional outsourcing alternative to in-house risk management departments and Wall Street derivative products. UCM typically focuses on interest rate and prepayment risk as they relate to specific objectives articulated to UCM by the client. UCM's risk management strategy includes modeling of asset risk, setting up and trading individual hedge accounts and matching accounting practice and management goals. Although the Company believes that UCM will ultimately be able to implement risk management strategies for clients with respect to several asset classes, UCM's initial focus has been on the implementation of risk management strategies for clients' portfolios of MSRs. UCM is managed by former senior executives from nationally recognized investment banks and the mortgage banking industry with many years of experience in risk management and hedging strategies.

UNITED SPECIAL SERVICES. United Special Services, Inc. ("USS") provides real estate management and disposition services to financial services companies and financial institutions. In addition to the unaffiliated clients currently served by USS, Matrix Financial uses USS exclusively in handling the disposition of its foreclosed real estate. USS also provides limited collateral valuation opinions to clients that are interested in assessing the value of the collateral underlying mortgage loans, as well as to clients such as Matrix Bank and other third party mortgage loan buyers evaluating potential bulk purchases of mortgage loans.

See Note 19 to the Consolidated Financial Statements included elsewhere herein for a presentation of financial information by industry segment.

SAVINGS BANK ACTIVITIES

GENERAL. With branches in Las Cruces, New Mexico and Sun City, Arizona, and loan production offices in Denver and Evergreen, Colorado, Matrix Bank serves its local communities by providing a broad range of personal and business depository services, offering residential and consumer loans and providing commercial real estate loans, including Small Business Administration ("SBA") loans. For a discussion of the depository services offered by Matrix Bank, see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources." For a discussion of the historical loan portfolio of the Company, including that of Matrix Bank, see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Asset and Liability Management--Lending Activities."

PURCHASE AND SALE OF BULK LOAN PORTFOLIOS. In addition to its mortgage loan origination and servicing-related activities, which are discussed under "--Mortgage Bank Activities," the Company traditionally makes bulk purchases of residential mortgage loans in the secondary market through Matrix Bank. The Company believes that its structure provides advantages over its competitors in the purchase of bulk mortgage loan packages. United Financial, through its networking within the mortgage banking industry, is able to refer mortgage banking companies that are interested in selling mortgage loan portfolios directly to Matrix Bank. This direct contact reduces the number of portfolios that must be purchased through competitive bid situations, thereby reducing the cost associated with the acquisition of bulk residential mortgage loan portfolios. Additionally, Matrix Bank's affiliation with Matrix Financial also provides servicing advantages that a typical community bank does not possess. Matrix Financial, which generally acts as a subservicer for Matrix Bank's mortgage loan portfolio, services loans throughout the entire United States and has the ability to service additional borrower accounts without any substantial changes or improvements. As such, Matrix Bank is not limited in the types of loans that it can acquire, nor is Matrix Bank restricted to certain geographic regions as Matrix Financial services loans in all fifty states. During the years ended December 31, 1998 and 1997, the Company made bulk purchases of mortgage loans of approximately \$678.2 million and \$493.7 million, respectively.

4

Substantially all of the residential mortgage loans that the Company acquires are classified as held for sale. This accounting classification dictates that the Company must carry the loans at the lower of aggregate cost or market. The purchased loan portfolios typically include both fixed and adjustable rate mortgage loans. Although the Company reviews many loan portfolios for prospective acquisition, the focus is on acquiring seasoned first lien priority loans secured primarily by one-to-four single family residential properties with unpaid principal balances of less than \$350,000. To the extent that adjustable rate loans are available, the Company generally targets adjustable over fixed rate portfolios. Due to the accounting treatment required, the Company's management believes that its focus on seasoned and adjustable rate products reduces the effect on the portfolio's market value in increasing interest rate environments. Mortgage loan portfolios are purchased from various sellers who have either originated the loans or, more typically, acquired the loan portfolios in bulk purchases.

The Company considers several factors prior to a purchase. Among others, the Company considers the product type, the current loan balance, the current interest rate environment, the seasoning of the mortgage loans, payment histories, geographic location of the underlying collateral, price, the current liquidity of the Company and the product mix in its existing mortgage loan portfolio.

In some cases, the mortgage loan portfolios that the Company acquires are purchased at a discount to par. Some of the loans in these portfolios are considered performing loans that have had payment problems in the past or have had document deficiencies. These types of portfolios afford the Company with an opportunity to resell the loans at a higher price if the purchase discount on such portfolios accurately reflects the additional risks associated with purchasing these types of loans. Loan document deficiencies are identified in the due diligence process and, to the extent practical, are cured by the Company prior to reselling the loans. The Company also analyzes the payment history on each mortgage loan portfolio. Many prior problems may be a result of inefficient servicing or may be attributable to several servicing transfers of the loans over a short period of time. Because many considerations may impact pricing or yield, each loan package evaluated is priced based on the specific underlying loan characteristics.

The Company also buys non-performing Federal Housing Administration ("FHA") and Veteran's Administration ("VA") loans from third party sellers. The principal and interest on these non-performing loans are generally guaranteed by the Department of Housing and Urban Development ("HUD"), and in many cases, the terms of the purchase require the seller to pass scheduled interest through to the Company and to ultimately guarantee the collection of principal and interest. These loans are at fixed rates and are anticipated to mature within a short period of time. As of December 31, 1998, the Company owned \$165.7 million of such loans.

The Company performs due diligence on each mortgage loan portfolio that it desires to purchase on a bulk basis. These procedures consist of analyzing a representative sample of the mortgage loans in the portfolio and are typically performed by Company employees, but occasionally are outsourced to third party contractors. The underwriter takes into account many factors in analyzing the sample of mortgage loans in the subject portfolio, including the general economic conditions in the geographic area or areas in which the underlying residential properties are situated, the loan-to-value ratios on the underlying loans, the payment histories of the borrowers and other pertinent statistics. In addition, the underwriter attempts to verify that each sample loan conforms to the standards for loan documentation set by the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC") and, in cases where a significant portion of the sample loans contain non-conforming documentation, the Company assesses the additional risk involved in purchasing such loans. This process helps the Company determine whether the mortgage loan portfolio meets the Company's investment criteria and, if it does, the range of pricing that the Company feels is appropriate.

The Company continually monitors the secondary market for purchases and sales of mortgage loan portfolios and typically undertakes a sale of a particular loan portfolio held by the Company in an attempt to "match" an anticipated bulk purchase of a particular mortgage loan portfolio or to generate current period earnings and cash flow. To the extent that the Company is unsuccessful in matching its purchases and sales of mortgage loans, the Company may have excess capital at Matrix Bank, resulting in less leverage and higher capital ratios. During the years ended December 31, 1998 and 1997, the Company made bulk sales of approximately \$319.4 million and \$198.3 million in loans, for gains on sale of bulk mortgage loans of \$3.1 million and \$2.4 million, respectively.

COMMERCIAL AND OTHER LENDING. Matrix Bank, through its commercial real estate division, has sought to provide limited diversity in its loan portfolio by originating commercial and consumer loans, as well as offering a full range of lending products to its customers. The Company offers a variety of commercial loan products, including single family construction loans, commercial real estate loans, business loans and SBA loans, as well as providing financing to charter schools for the purchase of real estate and equipment. Matrix Bank's loan production office in Evergreen, Colorado principally originates single family construction and commercial real estate loans; therefore, the Company's market for these products consists of the Denver, Colorado metro area. The main office in Las Cruces, New Mexico also originates a portion of these loans as well.

5

The Company originates loans to builders for the construction of single family properties, and to a lesser extent, for the acquisition and development of improved residential lots. These loans are generally made on a commitment term that lasts for a period of nine to eighteen months and typically adjust with the prime rate of interest. In many cases, the residential properties have been pre-sold to the homeowner. Construction lending is generally considered to involve a higher level of risk than secured lending on existing properties because the properties securing these loans are usually more speculative and more difficult to evaluate and monitor.

The commercial lending entered into by the Company is generally limited to income-producing real estate properties which meet strict internal underwriting guidelines. The repayment of loans collateralized by income-producing properties is dependent upon the successful operation of the related real estate property and also on the credit and net worth of the borrower. Thus, repayment is subject to conditions in the real estate market, interest rate levels and overall economic conditions. Loans on such properties are generally not permitted to exceed a loan-to-value ratio of 75%. Also, each borrower is reviewed with regard to management talent, integrity, experience and available financial resources. The Company generally requires personal guarantees on all commercial loans.

The Company's SBA division, recently opened during 1998, offers the following loan products: SBA 7a loans, first trust deed loans under the SBA 504 program, first trust deed companion (piggyback) loans and Business and Industry Guaranteed Loans offered through the United States Department of Agriculture. The Company is considering applying for preferred lender status under the SBA program in the Denver, Colorado and Las Cruces, New Mexico market areas. Preferred lender status would allow the Company to approve SBA-guaranteed loan applications without prior review from the SBA, thereby accelerating the approval process for small business loan applications. Preferred lenders also receive priority funding and service from the SBA.

During 1998, the Company began to offer direct financing leases to charter schools located primarily in Colorado, Arizona and Texas for the purchase of real estate, modular space and equipment. Charter schools are public schools that serve as an alternative to traditional public schools, thereby providing additional academic choices for parents and students. The direct financing leases are generally fully amortizing and are completed on a tax-exempt basis. During 1998, the Company originated \$27.4 million of these leases. The leases

are originated with the intent of reselling them, and as a result, are being classified as held for sale.

In addition, the Company offers a variety of lending products to meet the specific needs of its customers. These products include secured installment loans with fixed repayments, manufactured housing, credit card programs, home equity loans, business loans and share loans. In addition to the secured consumer loans, on a very limited basis, the Company extends unsecured loans to qualified borrowers based on their financial statements and creditworthiness. The majority of the consumer lending is originated within the Las Cruces, New Mexico market area.

BROKERAGE AND CONSULTING SERVICES

BROKERAGE SERVICES. United Financial operates as a national, full-service mortgage servicing and mortgage loan broker. It is capable of analyzing, packaging, marketing and closing servicing portfolios and selected corporate merger and acquisition transactions. United Financial markets its services to all types and sizes of market participants, thereby developing diverse relationships. United Financial has provided servicing brokerage services to each of the following clients during the last 12 months:

AccuBanc Mortgage	NationBanc Mortgage
Chase Manhattan Mortgage	Old Kent Mortgage
Crossland Mortgage Corp.	PNC Mortgage Corporation of America
Harbor Financial Mortgage Corp.	U.S. Bank
Mellon Mortgage	

MSRs are sold either on a bulk basis, in which the seller identifies, packages and sells a portfolio of MSRs to a buyer in a single transaction, or on a flow basis, in which the seller agrees to sell to a specified buyer from time to time the MSRs originated by the seller that meet certain criteria at a predetermined price. United Financial is capable of helping both buyers and sellers with respect to bulk sales and flow sales of MSRs.

The Company believes that the client relationships developed by United Financial through its national network of contacts with commercial banks, mortgage companies, savings associations and other institutional investors represent a significant competitive advantage and form the basis for United Financial's national market presence. These contacts also enable United Financial to identify prospective clients for other Subsidiaries and make referrals where appropriate. See "--Consulting and Analytic Services."

6

The secondary market for purchasing and selling MSRs has become increasingly more active since its inception during the early 1980s. While MSRs are the primary asset of most mortgage companies, other institutions such as commercial banks and savings associations also build portfolios of MSRs, which can serve as a significant source of noninterest income. Most institutions that own MSRs have found that careful management of these assets is necessary due to their susceptibility to interest rate cycles, changing prepayment patterns of mortgage loans, and fluctuating earnings rates achieved on custodial escrow balances. With companies required to capitalize originated MSRs, management of mortgage servicing assets has become even more critical. These managerial efforts, combined with interest rate sensitivity of the assets and the growth strategies of market participants, create constantly changing supply and demand and, therefore, price levels in the secondary market for MSRs.

The sale and transfer of MSRs occurs in a market that is inefficient and often requires an intermediary to facilitate matching buyers and sellers. Prices are unpublished and closely guarded by market participants, unlike most other major financial secondary markets. This lack of pricing information complicates an already difficult process of differentiating between servicing product types, evaluating regional, economic and socioeconomic trends and predicting the impact of interest rate movements. Due to its significant contacts, United Financial has access to information on the availability of mortgage servicing portfolios and helps bring together interested buyers and sellers.

In addition, United Financial provides brokerage services to buyers and sellers of single family residential mortgage loans. United Financial provides loan brokerage services to both servicing brokerage clients and non-servicing brokerage clients.

CONSULTING AND ANALYTIC SERVICES. United Financial has made a significant commitment to its analytics department, which has developed expertise in helping companies implement and, on an ongoing basis, track their "mark-to-market" valuations and analyses. United Financial has enhanced its existing valuation models and has created a software program that can be customized to fit its customers' many different needs and unique situations in performing valuations and analyses. In addition, United Financial has the infrastructure and management information system capabilities necessary to undertake the complex analyses required by FAS 125. Many of the companies affected by the implementation of FAS 125 have outsourced this function to a third party rather

than dedicate the resources necessary to develop systems for and perform their own FAS 125 valuations.

Because FAS 125 requires that mortgage servicing portfolios be valued at the lower of cost or market value on a quarterly basis, active management of servicing assets has become a critical component to holders MSR's. Due to the risk of impairment on MSR's as a result of constantly changing interest rates and prepayment speeds on the underlying mortgage portfolio, risk management of portfolios of MSR's by the holder of the portfolio, which typically takes the form of hedging the portfolio, has become a more prevalent practice over recent periods. The FAS 125 "mark-to-market" analyses done by United Financial help clients assess which of their portfolios of MSR's are most susceptible to impairment due to interest rate and prepayment risk. Once identified, the analytics department of United Financial is able to introduce the client to management at UCM, who in turn is able to offer its risk management services relating to the identified or other mortgage servicing portfolios owned by the client in order to meet the client's stated objectives.

UCM's primary strategy employs risk management techniques similar to those utilized by Wall Street firms to offset risk. The UCM approach includes modeling of asset risk, establishing and trading individual hedge accounts and matching accounting practice and management goals. UCM employs this strategy by calculating the appropriate mix of exchange-traded treasury futures and options to offset the change in value of the clients' portfolios. These calculations are completed with real time market pricing. Monthly portfolio evaluations are calculated to insure correlation and appropriate accounting treatment. The use of these liquid positions to offset risk is a less expensive strategy and mirrors strategies used by major investment banks. Additionally, the hedging instruments have lower transaction costs allowing both ease in rebalancing, if necessary, and daily reporting. UCM uses a combination of futures and options to match both the duration and convexity of the hedged asset. As of December 31, 1998, UCM was providing risk management services to eight clients with approximately \$20.0 billion of MSR's hedged.

Management believes that combining the services offered by the analytics department of United Financial with those of UCM provides the Company with a competitive advantage in attracting and retaining clients because the Company is able to offer financial services companies and financial institutions a more complete package of services than the Company's competitors. In addition, United Financial is able to refer clients to Matrix Bank for financing opportunities and to USS for asset disposition services. The full range of services offered by United Financial and its affiliates further strengthens United Financial's client relationships.

MORTGAGE BANK ACTIVITIES

RESIDENTIAL MORTGAGE LOAN SERVICING. Matrix Financial and Matrix Bank each has its own mortgage servicing portfolio, but the Company conducts its residential servicing activities exclusively through Matrix Financial. Matrix Bank's MSR's are

7

subserviced by Matrix Financial. At December 31, 1998, Matrix Financial serviced approximately \$5.4 billion of mortgage loans, including \$352.6 million subserviced for Matrix Bank but excluding \$9.9 million subserviced for non-affiliates of the Company.

Servicing mortgage loans involves a contractual right to receive a fee for processing and administering loan payments. This processing involves collecting monthly mortgage payments on behalf of investors, reporting information to those investors on a monthly basis and maintaining custodial escrow accounts for the payment of principal and interest to investors and property taxes and insurance premiums on behalf of borrowers. These payments are held in custodial escrow accounts at Matrix Bank, where the money can be invested by the Company in interest-earning assets at returns that historically have been greater than could be realized by the Company using the custodial escrow deposits as compensating balances to reduce the effective borrowing cost on the Company's warehouse credit facilities.

As compensation for its mortgage servicing activities, the Company receives servicing fees, plus any late charges collected from delinquent borrowers and other fees incidental to the services provided. At December 31, 1998, the Company's weighted-average servicing fee was 0.36%. In the event of default by the borrower, the Company receives no servicing fees until the default is cured.

Servicing is provided on mortgage loans on a recourse or nonrecourse basis. The Company's policy is to accept only a limited number of servicing assets on a recourse basis. As of December 31, 1998 and 1997, on the basis of outstanding principal balances, less than 1% of the mortgage servicing contracts owned by the Company involved recourse servicing. To the extent that servicing is done on a recourse basis, the Company is exposed to credit risk with respect to the underlying loan in the event of a repurchase. Additionally, many of the nonrecourse mortgage servicing contracts owned by the Company require the

Company to advance all or part of the scheduled payments to the owner of the mortgage loan in the event of a default by the borrower. Many owners of mortgage loans also require the servicer to advance insurance premiums and tax payments on schedule even though sufficient escrow funds may not be available. The Company, therefore, must bear the funding costs associated with making such advances. If the delinquent loan does not become current, these advances are typically recovered at the time of the foreclosure sale. Foreclosure expenses are generally not fully reimbursable by FNMA, FHLMC or the Government National Mortgage Association ("GNMA"), for whom the Company provides significant amounts of mortgage loan servicing. As of December 31, 1998 and 1997, the Company had advanced approximately \$7.9 million and \$5.7 million, respectively, in funds on behalf of third party investors.

MSRs represent a contractual right to service, and not a beneficial ownership interest in, underlying mortgage loans. Failure to service the loans in accordance with contract or other applicable requirements may lead to the termination of the MSRs and the loss of future servicing fees. To date, there have been no terminations of MSRs by any mortgage loan owners because of the Company's failure to service the loans in accordance with its obligations.

In order to track information on its servicing portfolio, the Company utilizes a data processing system provided by Alltel Information Services, Inc. ("Alltel"), one of the largest mortgage banking service bureaus in the United States. Management believes that this system gives the Company sufficient capacity to support anticipated expansion of its residential mortgage loan servicing portfolio.

The following table sets forth certain information regarding the composition of the Company's mortgage servicing portfolio (excluding loans subserviced for others) as of the dates indicated:

<TABLE>
<CAPTION>

	AS OF DECEMBER 31,		
	1998	1997	1996
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
FHA insured/VA guaranteed residential.....	\$ 960,053	\$ 699,056	\$ 318,145
Conventional loans.....	4,338,308	2,633,563	2,171,016
Other loans.....	59,368	15,443	15,875
Total mortgage servicing portfolio.....	\$ 5,357,729	\$ 3,348,062	\$ 2,505,036
Fixed rate loans.....	\$ 4,234,349	\$ 2,691,409	\$ 1,986,599
Adjustable rate loans.....	1,123,380	656,653	518,437
Total mortgage servicing portfolio.....	\$ 5,357,729	\$ 3,348,062	\$ 2,505,036

</TABLE>

The following table shows the delinquency statistics for the mortgage loans serviced by the Company (excluding loans subserviced for others) compared with national average delinquency rates as of the dates presented:

<TABLE>
<CAPTION>

	AS OF DECEMBER 31,					
	1998			1997		
	COMPANY		NATIONAL AVERAGE (1)	COMPANY		NATIONAL AVERAGE (1)
<S>	NUMBER OF LOANS	PERCENTAGE OF SERVICING PORTFOLIO (2)	PERCENTAGE OF LOANS	NUMBER OF LOANS	PERCENTAGE OF SERVICING PORTFOLIO (2)	PERCENTAGE OF LOANS
<C>	<C>	<C>	<C>	<C>	<C>	<C>
Loans delinquent for:						
30-59 days.....	3,120	3.98%	2.96%	3,558	5.78%	3.03%
60-89 days.....	612	0.78	0.68	835	1.36	0.71
90 days and over.....	712	0.91	0.60	912	1.48	0.62
Total delinquencies.....	4,444	5.67%	4.24%	5,305	8.62%	4.36%
Foreclosures.....	727	0.93%	1.11%	447	0.73%	1.11%

<CAPTION>

AS OF DECEMBER 31,

1996

	COMPANY		NATIONAL AVERAGE (1)
	NUMBER OF LOANS	PERCENTAGE OF SERVICING OF PORTFOLIO (2)	PERCENTAGE OF LOANS
<S>	<C>	<C>	<C>
Loans delinquent for:			
30-59 days.....	2,607	5.45%	3.04%
60-89 days.....	667	1.40	0.71
90 days and over.....	684	1.43	0.62
Total delinquencies.....	3,958	8.28%	4.37%
Foreclosures.....	264	0.55%	1.03%

</TABLE>

(1) Source: Mortgage Bankers Association, "Delinquency Rates of 1- to 4-Unit Residential Mortgage Loans" (Seasonally Adjusted) (Data as of December 31, 1998, 1997 and 1996, respectively).

(2) Delinquencies and foreclosures generally exceed the national average due to high rates of delinquencies and foreclosures on certain bulk loan and bulk servicing portfolios acquired by the Company at a discount.

The following table sets forth certain information regarding the number and aggregate principal balance of the mortgage loans serviced by the Company, including both fixed and adjustable rate loans (excluding loans subserviced for others), at various interest rates:

<TABLE>

<CAPTION>

AS OF DECEMBER 31,

RATE	1998			1997		
	NUMBER OF LOANS	AGGREGATE PRINCIPAL BALANCE	PERCENTAGE OF AGGREGATE PRINCIPAL BALANCE	NUMBER OF LOANS	AGGREGATE PRINCIPAL BALANCE	PERCENTAGE OF AGGREGATE PRINCIPAL BALANCE
(DOLLARS IN THOUSANDS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Less than 7.00%.....	7,123	\$ 662,491	12.36%	2,968	\$ 220,582	6.59%
7.00%-- 7.99%.....	22,341	1,799,472	33.59	13,836	915,789	27.35
8.00%-- 8.99%.....	26,702	1,859,471	34.71	19,800	1,121,807	33.51
9.00%-- 9.99%.....	15,557	731,586	13.65	15,780	696,575	20.80
10.00%--10.99%.....	6,067	284,637	5.31	9,086	390,956	11.68
11.00%--11.99%.....	251	9,441	0.18	37	2,110	0.06
12.00% and over.....	305	10,631	0.20	10	243	0.01
Total.....	78,346	\$ 5,357,729	100.00%	61,517	\$ 3,348,062	100.00%

<CAPTION>

AS OF DECEMBER 31,

1996

	NUMBER OF LOANS	AGGREGATE PRINCIPAL BALANCE	PERCENTAGE OF AGGREGATE PRINCIPAL BALANCE
	(DOLLARS IN THOUSANDS)		
<S>	<C>	<C>	<C>
Less than 7.00%.....	3,545	\$ 145,720	5.82%
7.00%-- 7.99%.....	12,269	726,800	29.01
8.00%-- 8.99%.....	14,011	838,215	33.46
9.00%-- 9.99%.....	9,567	413,598	16.51
10.00%--10.99%.....	6,322	301,837	12.05
11.00%--11.99%.....	1,144	45,111	1.80
12.00% and over.....	924	33,755	1.35
Total.....	47,782	\$ 2,505,036	100.00%

</TABLE>

Loan administration fees decrease as the principal balance on the outstanding loan decreases and as the remaining time to maturity of the loan shortens. The following table sets forth certain information regarding the remaining maturity of the mortgage loans serviced by the Company (excluding loans subserviced for others) as of the dates shown. The changes in the remaining maturities as a percentage of unpaid principal between 1998, 1997 and 1996, as reflected below, are the result of acquisitions of MSRs completed during 1998 and 1997.

<TABLE>
<CAPTION>

AS OF DECEMBER 31,

MATURITY	1998				1997			
	NUMBER OF LOANS	PERCENTAGE OF NUMBER OF LOANS	UNPAID PRINCIPAL AMOUNT	PERCENTAGE UNPAID PRINCIPAL AMOUNT	NUMBER OF LOANS	PERCENTAGE OF NUMBER OF LOANS	UNPAID PRINCIPAL AMOUNT	PERCENTAGE UNPAID PRINCIPAL AMOUNT
	(DOLLARS IN THOUSANDS)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1-- 5 years....	9,478	12.10%	\$ 216,441	4.04%	7,485	12.17%	\$ 103,761	3.10%
6--10 years....	21,320	27.21	943,428	17.61	11,405	18.54	257,208	7.68
11--15 years...	10,231	13.06	534,187	9.97	14,325	23.29	589,747	17.62
16--20 years...	7,870	10.04	545,628	10.18	9,600	15.61	558,605	16.68
21--25 years...	12,524	15.99	1,184,562	22.11	7,427	12.07	687,563	20.54
More than 25 years.....	16,923	21.60	1,933,483	36.09	11,275	18.32	1,151,178	34.38
Total.....	78,346	100.00 %	\$ 5,357,729	100.00%	61,517	100.00%	\$ 3,348,062	100.00%

<CAPTION>

AS OF DECEMBER 31,

Maturity	1996			
	NUMBER OF LOANS	PERCENTAGE OF NUMBER OF LOANS	UNPAID PRINCIPAL AMOUNT	PERCENTAGE UNPAID PRINCIPAL AMOUNT
	(DOLLARS IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>
1-- 5 years....	5,020	10.51%	\$ 77,136	3.08%
6--10 years....	8,784	18.39	184,629	7.37
11--15 years...	6,418	13.43	340,282	13.58
16--20 years...	14,066	29.44	566,862	22.63
21--25 years...	7,006	14.66	545,336	21.77
More than 25 years.....	6,488	13.57	790,791	31.57
Total.....	47,782	100.00%	\$ 2,505,036	100.00%

</TABLE>

The Company's servicing activity is diversified throughout all 50 states with concentrations at December 31, 1998 in California, Florida and Texas of approximately 19.9%, 9.5% and 8.3%, respectively, based on aggregate outstanding unpaid principal balances of the mortgage loans serviced.

ACQUISITION OF SERVICING RIGHTS. The Company's strategy with respect to mortgage servicing focuses on acquiring servicing for which the underlying mortgage loans tend to be more seasoned and have lower principal and higher custodial escrow balances than newly originated mortgage loans. Management believes this strategy allows the Company to mitigate its prepayment risk, while allowing the Company to capture relatively high custodial escrow balances in relation to the outstanding principal balance. During periods of declining interest rates, prepayments of mortgage loans increase as homeowners seek to refinance at lower interest rates, resulting in a decrease in the value of the servicing portfolio. Mortgage loans with higher interest rates and/or higher principal balances are more likely to result in prepayments since the cost savings from refinancing to the borrower can be significant. However, the Company remains opportunistic in its acquisition philosophy. If a higher balance, less seasoned portfolio is available at the Company's desired internal rate of return, the Company may, from time to time, pursue such acquisitions.

The following table shows quarterly and annual average prepayment rate experience on the mortgage loans serviced by the Company (excluding loans subserviced by and for others):

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31,		
	1998 (1) (2)	1997 (3)	1996
<S>	<C>	<C>	<C>
Quarter ended:			
December 31.....	28.36%	12.52%	12.19%
September 30.....	23.60	12.75	11.53
June 30.....	21.53	10.94	12.00
March 31.....	17.00	8.97	11.83
	-----	-----	-----
Annual average.....	22.62%	11.30%	11.89%
	=====	=====	=====

</TABLE>

(1) These prepayment rates exclude prepayment experience for MSR's subserviced for the Company by others of \$930 million, \$703 million, \$0 and \$1.3 billion for the quarters ended December 31, September 30, June 30, and March 31, 1998, respectively.

(2) These prepayment rates do not include prepayments which resulted from the Company targeting its own servicing portfolio for refinance opportunities.

(3) These prepayment rates exclude prepayment experience for MSR's subserviced for the Company by others of \$700 million, \$1.1 billion, \$610 million and \$1.3 billion for the quarters ended December 31, September 30, June 30, and March 31, 1997, respectively.

The Company acquires substantially all of its MSR's in the secondary market. The secondary market for purchasing and selling MSR's is inefficient in several respects, including the lack of a centralized exchange for conducting trading, the lack of definitive market prices and the lack of conformity in modeling assumptions. The industry expertise of United Financial and Matrix Financial allows the Company to capitalize upon these inefficiencies when acquiring MSR's. Prior to completing any such acquisition, the Company analyzes a wide range of characteristics of each portfolio considered for purchase. This analysis includes projecting revenues and expenses and reviewing geographic distribution, interest rate distribution, loan-to-value ratios, outstanding balances, delinquency history and other pertinent statistics. Due diligence is performed either by Matrix Financial employees or a designated independent contractor on a representative sample of the mortgages involved. The purchase price is based on the present value of the expected future cash flow, calculated by using a discount rate and loan prepayment assumptions that management considers to be appropriate to reflect the risk associated with the investment.

SERVICING SALES. The Company periodically sells its purchased mortgage servicing portfolios and generally sells all originated MSR's. Such sales increase revenue (reflected in loan origination income for originated servicing and gain on sale of servicing for purchased servicing) and generate cash at the time of sale, but reduce future servicing fee income. Originated MSR's were sold on both a bulk and flow basis on loans having an aggregate principal amount of \$277.4 million and \$186.1 million during the years ended December 31, 1998 and 1997, respectively. Periodically, the Company may also sell purchased MSR's to restructure its portfolio or generate revenues. Purchased MSR's were sold on loans having an aggregate principal amount of \$175.3 million and \$1.3 billion during the years ended December 31, 1998 and 1997, for net gains of \$803,000 and \$3.4 million, respectively.

The Company anticipates that it will continue to adhere to its policy of selling substantially all originated MSR's. The Company also may sell purchased MSR's. Management intends to base decisions regarding future mortgage servicing sales upon the Company's cash requirements, purchasing opportunities, capital needs, earnings and the market price for MSR's. During a quarter in which a sale of purchased MSR's occurs, reported income will tend to be greater than if such sale had not occurred during that quarter. Prices obtained for MSR's vary depending on servicing fee rates, anticipated prepayment rates, average loan balances, remaining time to maturity, servicing costs, custodial escrow balances, delinquency and foreclosure experience and purchasers' required rates of return.

In the ordinary course of selling MSR's, the Company, in accordance with industry standards, makes certain representations and warranties to purchasers of MSR's. If a loan defaults and there has been a breach of representations or warranties and the Company has no third party recourse, the Company may become liable for the unpaid principal and interest on defaulted loans. In such a case, the Company may be required to repurchase the mortgage loan and bear any subsequent loss on the loan. In connection with any purchases by the Company of MSR's, the Company also is exposed to liability to the extent that an originator or seller of the MSR's is unable to honor its representations and warranties.

Historically, the Company has not incurred material losses due to breaches of representations and warranties, and the Company does not anticipate any future material losses due to breaches of representations and warranties; however, there can be no assurance that the Company will not experience such losses.

HEDGING OF SERVICING RIGHTS. Ownership of MSRs exposes the Company to impairment of its investment in certain interest rate environments. As previously discussed, the prepayment of a mortgage loan increases during periods of declining interest rates as the homeowner seeks to refinance the loan to a lower interest rate. If the level of prepayment on segments of the Company's mortgage servicing portfolio achieves a level higher than projected by the Company for an extended period of time, an impairment in the associated basis in the MSRs may occur. To mitigate this risk of impairment due to declining interest rates, the Company initiated a hedging strategy during 1997 which is managed by UCM. The Company analyzed its servicing portfolio for potential segments more susceptible to interest-rate risk. Based on the Company's analysis, which focused on higher fixed rate, higher balance, less seasoned loans in the servicing portfolio, the Company hedged a segment of its portfolio. As of December 31, 1998 and 1997, the Company had identified and hedged \$674 million and \$306 million, respectively, of its servicing portfolio using a program of exchange-traded futures and options. Additionally, as of December 31, 1998 and 1997, the net realized deferred gains and the unrealized deferred gains (losses) of the open positions was approximately \$420,000 and \$275,000, respectively. The unrealized gain (loss) is recorded as an adjustment to the basis of the corresponding investment in MSRs. The hedging program qualifies for hedge accounting treatment based on a high degree of statistical correlation and current accounting regulation. The Company only hedges fixed rate loans in its servicing portfolio, as correlation cannot be established for adjustable rate loans.

RESIDENTIAL MORTGAGE LOAN ORIGINATION. The Company originates residential mortgage loans on both a wholesale and retail basis through Matrix Financial and Matrix Bank. For the years ended December 31, 1998 and 1997, Matrix Financial originated a total of \$575.0 million and \$403.0 million in residential mortgage loans, respectively.

Wholesale Originations. Matrix Financial's primary source of mortgage loan originations is its wholesale division, which originates mortgage loans through approved independent mortgage loan brokers that qualify to participate in Matrix Financial's program through a formal application process that includes an analysis of the broker's financial condition and sample loan files, as well as the broker's reputation, general lending expertise and references. As of December 31, 1998, Matrix Financial had approved relationships with approximately 600 mortgage loan brokers. From Matrix Financial's offices in Atlanta, Denver, Las Vegas and Phoenix, the sales staff solicits mortgage loan brokers throughout the Southeastern and Rocky Mountain areas of the United States for mortgage loans that meet Matrix Financial's criteria. Mortgage loans submitted by brokers are funded after being underwritten by Matrix Financial.

Mortgage loan brokers act as intermediaries between borrowers and Matrix Financial in arranging mortgage loans. Matrix Financial, as an approved FNMA, FHLMC and GNMA seller/servicer, provides such brokers access to the secondary market for the sale of mortgage loans that they otherwise cannot access because they do not meet the applicable seller/servicer net worth requirements. Matrix Financial attracts and maintains relationships with mortgage loan brokers by offering a variety of services and products.

To supplement its product offerings made through its wholesale loan origination network, the Company offers a program tailored to borrowers who are unable or unwilling to obtain mortgage financing from conventional mortgage sources. The borrowers who need this type of loan product often have impaired or unsubstantiated credit histories and/or unverifiable income and require or seek a high degree of personalized services and swift response to their loan applications. As a result, these borrowers generally are not averse to paying higher interest rates for this loan product type, as compared to the interest rates charged by conventional lending sources. The Company has established classifications with respect to the credit profiles of these borrowers. The classifications range from A- through D depending upon a number of factors, including the borrower's credit history and employment status. During 1998 and 1997, Matrix Financial originated \$45.7 million and \$48.3 million, respectively, of A- through D credit residential mortgage loans, all of which were sold to unaffiliated third party investors on a nonrecourse basis under standard industry representations and warranties.

Matrix Financial's management has decided, for strategic purposes, to increase its emphasis on wholesale originations through hiring additional sales staff at existing offices. In today's interest rate environment, increased loan origination volumes can act as a hedge against the decreasing value of mortgage servicing portfolios caused by increased prepayments.

Retail Originations. Matrix Bank originates residential loans on a retail basis through its branches in Las Cruces, New Mexico and Sun City, Arizona. In

early 1997, Matrix Bank opened a lending office in Evergreen, Colorado. This location originates primarily residential construction loans and commercial loans in the local market place. The Company anticipates that the construction loans funded through the Evergreen office will be converted to permanent mortgage loans funded through Matrix Bank. The retail loans originated by Matrix Bank consist of a broad range of residential loans (at both fixed and adjustable rates), consumer loans and commercial real estate loans.

In 1998, the Company converted its telemarketing call center, located in Denver, into a retention center which is focusing on the solicitation of the Company's servicing portfolio for refinancing opportunities. The goal in soliciting the portfolio is to identify those mortgagees who are likely to refinance and have them refinance with Matrix Financial, thereby preserving a portion of our servicing portfolio, which would have been likely to prepay anyway.

QUALITY CONTROL. The Company has a loan quality control process designed to ensure sound lending practices and compliance with FNMA, FHLMC and applicable private investor guidelines. Prior to funding any wholesale or retail loan, the Company performs a pre-funding quality control audit that consists of the verification of employment and utilizes a detailed checklist. Subsequent to funding, the Company, on a monthly basis, selects 10% of all closed loans for a detailed audit conducted by its own personnel or a third party service provider. The quality control process entails performing a complete underwriting review and independent re-verification of all employment information, tax returns, source of down payment funds, bank accounts and credit. Furthermore, 10% of the audited loans are chosen for an independent field review and standard factual credit report. All discovered deficiencies in these audits are reported to senior management of the Company to determine trends and additional training needs. All resolvable issues are addressed and cured by the Company. The Company also performs a quality control audit on all early payment defaults, first payment defaults and 60-day delinquent loans; the findings are reported to the appropriate investor and/or senior management.

SALE OF LOAN ORIGINATIONS. The Company generally sells the residential mortgage loans that it originates. Under ongoing programs established with FNMA and FHLMC, conforming conventional loans may be sold on a cash basis or pooled by the Company and exchanged for securities guaranteed by FNMA or FHLMC. These securities are then sold by the Company to national or regional broker/dealers. Mortgage loans sold to FNMA or FHLMC are sold on a nonrecourse basis so that foreclosure losses are generally borne by FNMA or FHLMC and not by the Company.

The Company also sells nonconforming residential mortgage loans on a nonrecourse basis to other secondary market investors. These loans are typically first lien mortgage loans that do not meet all of the agencies' underwriting guidelines, and are originated instead for other institutional investors with whom the Company has previously negotiated purchase commitments, and for which the Company occasionally pays a fee.

The Company sells residential mortgage loans on a servicing-retained or servicing-released basis. Certain purchasers of mortgage loans require that the loan be sold to them servicing-released. In all other cases the decision is left to the Company. Generally, the Company sells conforming loans on a servicing-retained basis and nonconforming loans on a servicing-released basis. See "-- Residential Mortgage Loan Servicing."

In connection with the Company's residential mortgage loan originations and sales, the Company makes customary representations and warranties, similar in nature and scope to those provided in connection with sales of MSRs. The Company's experience has been that giving such representations and warranties rarely results in a request for repurchases or repurchases of a significant amount of residential mortgage loans in a given transaction. However, there can be no assurance that the Company will not be required to make a significant repurchase in the future or that losses will not occur in the future due to the representations and warranties issued.

The sale of mortgage loans may generate a gain or loss for the Company. Gains or losses result primarily from two factors. First, the Company may make a loan to a borrower at a price that is higher or lower than it would receive if it immediately sold the loan in the secondary market. These price differences occur primarily as a result of competitive pricing conditions in the primary loan origination market. Second, gains or losses may result from changes in interest rates that result in changes in the market value of the mortgage loans from the time that the price commitment is given to the borrower until the time that the mortgage loan is sold to the investor.

In order to hedge against the interest rate risk resulting from these timing differences, the Company historically has committed to sell all closed originated mortgage loans held for sale and a portion of the mortgage loans that are not yet closed but for which the interest rate has been established ("pipeline loans"). The Company adjusts its net commitment position daily either by entering into new commitments to sell or by buying back commitments to sell depending upon its projection of the portion of the pipeline loans that it expects to close. These projections are based on numerous factors, including changes in interest rates and general economic trends. The accuracy of the

of the Company's use of forward commitments and subsequent profitability. At December 31, 1998, the Company had approximately \$133.7 million in pipeline and funded loans offset with mandatory forward commitments of approximately \$110.0 million and non-mandatory forward commitments of approximately \$10.1 million. The inherent value of the forward commitments is considered in the determination of the lower of cost or market in valuing the Company's pipeline and funded loans at any given time. For a discussion of secondary marketing losses incurred by the Company during 1996, see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Comparison of Results of Operations for Fiscal Years 1997 and 1996--Loan Origination."

SELF-DIRECTED TRUST ACTIVITIES

Sterling Trust provides administrative services for self-directed individual retirement accounts ("IRAs"), qualified business retirement plans, personal custodial accounts and a variety of corporate trust and escrow arrangements. Sterling Trust actively markets its services on a nationwide basis to the financial services industry, specifically broker/dealers, registered representatives, insurance agents, tax professionals, financial planners and advisors and investment product sponsors. The advantage Sterling Trust offers to these financial service professionals is the ability to hold a wide-array of assets, including all types of public offerings as well as non-standard assets such as real estate, individually-negotiated debt instruments and private offerings of securities. Sterling Trust retains no discretion with respect to the investment of trust assets, and executes no investment transaction until so instructed by the client or the client's designated representative.

Sterling Trust's self-directed IRAs offer the client the freedom of choice and the convenience of consolidation. Sterling Trust handles all of the maintenance and administrative duties needed to maintain the tax-deferred status of IRA accounts. All accounts are 100% self-directed and Sterling Trust offers no investment advice or investment products.

In the qualified business retirement plan arena, Sterling Trust offers a combination of investment flexibility along with record keeping services on 401(k) plans, profit sharing plans, money purchase pension plans, and other types of defined contribution plans, as well as defined benefit plans. In addition, for employers who desire the handling of investment transactions for the qualified plan but don't require Sterling Trust's full services, record keeping only services are available as an option.

Non-qualified custodial services are also available which offer the same flexibility and reporting services as are available for retirement plans. Sterling Trust offers the service of monitoring and tracking all investments within client's portfolios.

Sterling Trust also provides a full range of corporate trust and escrow services to investment product sponsors. In general, Sterling Trust will consider serving as administrative trustee on various types of documents, as long as Sterling Trust has no discretion with regard to the investment of assets. Typical administrative services include holding of trust assets, periodic reporting on investment activity, paying agent services, and issuing and maintaining investor records.

In 1998, the Company began to offer specialized custody and clearing services to investment professionals. These services are provided via a direct connection with National Securities Clearing Corp. ("NSCC") using FundSERV to streamline and secure the trading process. The Company also offers a mutual fund No Transaction Fee Supermarket that includes over 72 fund families and over 1,300 funds.

At December 31, 1998, Sterling Trust had assets under administration of almost \$2.1 billion. Historically, approximately 6% to 8% of the assets under administration are maintained in interest-bearing accounts. These accounts, which approximated \$137.0 million at December 31, 1998, are held at Matrix Bank. See "General--The Subsidiaries--Matrix Bank".

REAL ESTATE MANAGEMENT AND DISPOSITION SERVICES

USS provides real estate management and disposition services to customers across the United States. In addition to the unaffiliated clients currently served by USS, many of whom are also clients of United Financial, Matrix Financial uses USS exclusively in handling the disposition of its foreclosed real estate. Having USS provide this service, as opposed to Matrix Financial, transforms the disposition process into a revenue generator for the Company, since USS typically collects a referral fee based on the value of the foreclosed real estate from the real estate broker involved in the sale transaction. Because USS typically collects its fee from the real estate broker, USS is able to provide this disposition service on an outsourced basis and at no additional cost to the mortgage loan servicer. USS is able to pass the cost of the

disposition on to the real estate broker because of the volume it generates. In addition, USS provides limited collateral valuation opinions to clients who are interested in assessing the value of the underlying collateral on non-performing mortgage loans, as well as to clients such as Matrix Bank and other third party mortgage loan originators and buyers interested in evaluating potential bulk purchases of mortgage loans.

COMPETITION

The industries in which the Company operates are highly competitive. The Company competes for the acquisition of MSRs and bulk loan portfolios mainly with mortgage companies, savings associations, commercial banks and other institutional investors. The Company believes that it has competed successfully for the acquisition MSRs and bulk loan portfolios by relying on the advantages provided by its unique corporate structure and the secondary marketing expertise of the employees in each Subsidiary.

Management believes that Matrix Bank's most direct competition for deposits comes from local financial institutions. The distinction among market participants is based primarily on price and, to a lesser extent, the quality of customer service and name recognition. Matrix Bank's cost of funds fluctuates with general market interest rates. During certain interest rate environments, additional significant competition for deposits may be expected from corporate and governmental debt securities, as well as from money market mutual funds. Matrix Bank competes for conventional deposits by emphasizing quality of service, extensive product lines and competitive pricing.

Competition in mortgage loan and MSRs brokerage and consulting arises mainly from other mortgage banking consulting firms, national and regional investment banking companies and accounting firms. Management believes that the distinction among market participants is based primarily on customer service. United Financial competes for its brokerage and consulting activities by recruiting qualified and experienced sales people, by developing innovative sales techniques, by offering superior analytical services, including hedging strategies, by providing financing opportunities to its customers through its affiliation with Matrix Bank and by seeking to provide a higher level of service than is furnished by its competitors.

Competition in originating mortgage loans arises mainly from other mortgage companies, finance companies, savings associations and commercial banks. The distinction among market participants is based primarily on price and, to a lesser extent, the quality of customer service and name recognition. Aggressive pricing policies of the Company's competitors, especially during a declining period of mortgage loan originations, could in the future result in a decrease in the Company's mortgage loan origination volume and/or a decrease in the profitability of the Company's loan originations, thereby reducing the Company's revenues and net income. The Company competes for loans by offering competitive interest rates and product types and by seeking to provide a higher level of personal service to mortgage brokers and borrowers than is furnished by competitors. However, the Company does not have a significant market share of the lending markets in which it conducts operations.

Sterling Trust faces considerable competition in all of the services and products that it offers. The main competition comes from other self-directed trust companies and broker/dealers. Sterling Trust also faces competition from other trust companies and trust divisions of financial institutions. Sterling Trust's niche has been, and will continue to be, providing high quality customer service and servicing niche retirement products. In an effort to increase market share, Sterling Trust will endeavor to provide superior service, expand its marketing efforts, provide competitive pricing and continue to diversify its product mix.

UCM faces competition from in-house risk management departments and Wall Street derivative products. UCM believes that distinction among market participants is based on name recognition, price and customer service and satisfaction. UCM competes by offering a unique hedging product that tends to be of lower cost than the products offered by competitors.

USS's main competitors consist of Cendant (formerly PHH, which was purchased by FHLMC), the Clayton Group (formerly Prudential Asset Recovery) and FNMA, which offers real estate disposition services on an outsourced basis. Additionally, clients or potential clients that opt to perform these services in-house, also diminish USS's market.

EMPLOYEES

At December 31, 1998, the Company had 447 employees. Management believes that its relations with its employees are good. Neither Matrix Bancorp nor any of the Subsidiaries is a party to any collective bargaining agreement.

REGULATION AND SUPERVISION

Set forth below is a brief description of various laws and regulations affecting the operations of the Company. 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.

14

MATRIX BANCORP. The Company is a unitary thrift holding company within the meaning of the Home Owners' Loan Act of 1933, as amended ("HOLA"). As such, Matrix Bancorp has registered with the Office of Thrift Supervision ("OTS") and is subject to OTS regulation, examination, supervision and reporting requirements. In addition, the OTS has enforcement authority over Matrix Bancorp and its non-savings institution Subsidiaries. Among other things, this authority permits the OTS to restrict or prohibit activities that are determined to be a serious risk to Matrix Bank. In addition, Matrix Bank must notify the OTS at least 30 days before making any distribution to Matrix Bancorp.

As a unitary thrift holding company, Matrix Bancorp generally is not restricted under existing laws as to the types of business activities in which it may engage, provided that Matrix Bank continues to be a "qualified thrift lender" ("QTL") under HOLA. Upon any nonsupervisory acquisition by Matrix Bancorp of another savings association or savings bank that meets the QTL test and is deemed to be a savings institution by the OTS, Matrix Bancorp would become a multiple thrift holding company (if the acquired institution is held as a separate subsidiary) and would be subject to extensive limitations on the types of business activities in which it could engage. HOLA limits the activities of a multiple thrift holding company and its uninsured institution subsidiaries primarily to activities permissible for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act of 1956, as amended (the "BHC Act"), subject to the prior approval of the OTS, and activities authorized by OTS regulation.

Legislation has been proposed that would (i) permit banking, insurance and securities industries to merge, (ii) subject unitary thrift holding companies such as Matrix Bancorp to regulation by the Board of Governors of the Federal Reserve ("FRB") rather than the OTS, and (iii) eliminate the federal thrift charter and the OTS. A bill that was passed by the House of Representatives in 1998 would subject unitary savings and loan holding companies to the activity restrictions generally applicable to multiple savings and loan holding companies. A grandfathering provision would allow existing unitary savings and loan holding companies to continue to engage in activities permitted unitary savings and loan holding companies under existing law and the grandfathering could be transferred to acquirers. It is too early to tell whether legislation would result in the imposition on the Company of the capital requirements applicable to bank holding companies. The Company is also unable to predict whether legislation will be enacted or, given such uncertainty, determine the extent to which the legislation, if enacted, would affect its business. The Company is also unable to predict whether the Savings Association Insurance Fund ("SAIF") and the Bank Insurance Fund ("BIF") will eventually be merged.

FEDERAL SAVINGS BANK OPERATIONS. Matrix Bank is subject to extensive regulation, examination and supervision by the OTS, as its chartering authority and primary regulator, and potentially by the Federal Deposit Insurance Corporation ("FDIC"), which insures its deposits up to applicable limits. Such regulation and supervision (i) establishes a comprehensive framework of activities in which Matrix Bank can engage, (ii) limits the ability of Matrix Bank to extend credit to any given borrower, (iii) imposes specified liquidity requirements, (iv) specifically restricts the transactions in which Matrix Bank may engage with its affiliates, (v) requires Matrix Bank to meet a QTL test that imposes a level of portfolio assets in which Matrix Bank must invest (primarily residential mortgages and related investments), (vi) places limitations on capital distributions by savings associations such as Matrix Bank, including cash dividends, (vii) imposes assessments to the OTS to fund its operations, (viii) establishes a continuing and affirmative obligation, consistent with Matrix Bank's safe and sound operation, to help meet the credit needs of the entire community, including low and moderate income neighborhoods, (ix) requires Matrix Bank to maintain certain noninterest-bearing reserves against its transaction accounts, (x) establishes various capital categories resulting in various levels of regulatory scrutiny applied to the institutions in a particular category and (xi) establishes standards for safety and soundness. In addition, insured institutions with total assets of \$500 million or more, such as Matrix Bank, beginning with 1999 fiscal year financial results, must submit annual audit reports prepared by independent auditors to federal and state regulators. Auditors must receive examination reports, supervisory agreements and reports of enforcement actions. In addition, an attestation by the auditor regarding the statements of management relating to the internal controls must be submitted to the OTS. The committees of such institutions must include members with experience in banking or financial management, must have access to outside counsel and must not include representatives of large customers. During 1998, Matrix Bank adopted revisions to its audit policy to comply with these requirements. The regulatory structure is designed primarily for the protection of the insurance fund and depositors. The regulatory structure also gives the

regulatory authorities extensive discretion in connection with their supervisory and enforcement activities. Any change in such regulations, whether by the OTS, the FDIC or the Congress could have a material impact on Matrix Bank and its operations.

Know Your Customer Rules. The OTS has proposed "Know Your Customer" rules, which are intended to detect patterns of large cash deposits and withdrawals outside the "normal" activity of accountholders at financial institutions. The proposed regulations would require each institution to develop a program to: determine the identity of customers, their source of funds and their normal and expected transactions as well as to monitor account activity for inconsistencies with normal and expected transactions, and report any suspicious transactions. The proposed regulations were jointly proposed by the federal banking agencies. Since then, the FDIC and the Comptroller of the Currency have indicated that they will withdraw the proposal. Therefore, it is uncertain if or whether such regulations will be adopted in any form. The proposed regulations, if adopted, could, at least initially, result in additional personnel costs.

15

Transactions with Affiliates. Under current federal law, Sections 23A and 23B of the Federal Reserve Act govern transactions between depository institutions and their affiliates. In a holding company context, at a minimum, the parent holding company of a savings institution and any companies that are controlled by such parent holding company are affiliates of the savings institution. Generally, Section 23A limits the extent to which the savings institution or its subsidiaries may engage in "covered transactions" with any one affiliate to 10% of such savings institution's capital stock and surplus, and contains an aggregate limit on all such transactions with all affiliates to 20% of capital stock and surplus. The term "covered transaction" includes, among other things, the making of loans or other extensions of credit to an affiliate and the purchase of assets from an affiliate. Section 23A also establishes specific collateral requirements for loans or extensions of credit to, or guarantees or acceptances on letters of credit issued on behalf of an affiliate. Section 23B requires that covered transactions and a broad list of other specified transactions be on terms substantially the same, or no less favorable, to the savings institution or its subsidiary as similar transactions with nonaffiliates. Matrix Bank engages in transactions with its affiliates, which are structured with the intent of complying with such regulations.

Insurance of Accounts and Regulation by the FDIC. Matrix Bank is a member of the SAIF, which is administered by the FDIC. Savings deposits are insured up to \$100,000 per insured member (as defined by law and regulation) by the FDIC. Such insurance is backed by the full faith and credit of the United States. As insurer, the FDIC imposes deposit insurance assessments and is authorized to conduct examinations of and to require reporting by the FDIC-insured institutions. It also may prohibit any FDIC-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious risk to the FDIC. The FDIC also may initiate enforcement actions against savings associations and may terminate the deposit insurance if it determines that the institution has engaged or is engaging in unsafe or unsound practices, or is in an unsafe or unsound condition.

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") required the FDIC to implement a risk-based deposit insurance assessment system. Pursuant to this requirement, the FDIC has adopted a risk-based assessment system under which all SAIF insured depository associations are placed into one of nine categories and assessed based upon their level of capital and supervisory evaluation. Under this system, associations classified as well capitalized and considered healthy pay the lowest assessment while associations that are less than adequately capitalized and considered of substantial supervisory concern pay the highest assessment. In addition, under FDICIA, the FDIC may impose special assessments on SAIF members to repay amounts borrowed from the United States Treasury or for any other reason deemed necessary by the FDIC. The FDIC may increase assessment rates, on a semiannual basis, if it determines that the reserve ratio of the SAIF will be less than the designated reserve ratio of 1.25% of SAIF insured deposits. In setting these increased assessments, the FDIC must seek to restore the reserve ratio to that designated reserve level, or such higher reserve ratio as established by the FDIC. Matrix Bank's current assessment is .064% of deposits, which is the lowest rate.

By contrast, financial institutions that are members of the BIF, which has higher reserves, experienced lower deposit insurance assessments. The disparity in deposit insurance assessments between SAIF and BIF members was exacerbated by the statutory requirement that both the SAIF and the BIF funds be recapitalized to a 1.25% reserved deposits ratio and that a portion of most thrift's deposit insurance assessments be used to service bonds issued by the Financial Corporation ("FICO"). BIF reached the required reserve ratio in 1995. As a result, financial institutions that have deposits insured by the SAIF were subject to a potential competitive disadvantage as compared to BIF members.

On September 30, 1996, the President signed legislation that provides for BIF members to service a growing portion of the FICO bond payments. Until

January 1, 2000, annual assessments of .013% of BIF deposits and .064% of SAIF deposits will service the annual payments due on the FICO bonds. Accordingly, Matrix Bank's portion of the payment on the FICO bonds is .064% of the deposits. The legislation provided for subsequent full pro rata sharing of FICO bond payments by BIF and SAIF institutions. The legislation called for a merger of the SAIF and BIF as of January 1, 1999, but only if the thrift charter has been eliminated.

The financing corporations created by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended ("FIRREA") and the Competitive Equality Banking Act of 1987 are also empowered to assess premiums on savings associations to help fund the liquidation or sale of troubled associations. Such premiums cannot, however, exceed the amount of SAIF assessments and are paid in lieu thereof.

Brokered Deposits. Under the FDIC regulations governing brokered deposits, well capitalized associations are not subject to brokered deposit limitations, while adequately capitalized associations are subject to certain brokered deposit limitations and undercapitalized associations may not accept brokered deposits. Matrix Bank is considered to be a well capitalized association. Although Matrix Bank historically had not accepted brokered deposits, it began to do so in February 1998 to allow for the desired growth of Matrix Bank. At December 31, 1998, Matrix Bank had \$148.7 million of brokered deposits. In the event Matrix Bank is not permitted to accept brokered deposits in the future, it would have to find replacement sources of liquidity. It is possible that such alternatives, if available, would result in a higher cost of funds.

MATRIX BANK'S CAPITAL RATIOS. Federal law requires, among other things, that federal bank regulatory authorities take "prompt corrective action" with respect to savings institutions that do not meet minimum capital requirements. For these purposes, the law establishes five categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

The OTS has adopted regulations to implement the prompt corrective action legislation. An institution is deemed to be "well capitalized" if it has a total risk-based capital ratio of 10% or greater and a leverage ratio of 5% or greater. An institution is "adequately capitalized" if it has a total risk-based capital ratio of 8% or greater, a Tier I risk-based capital ratio of 4% or greater and generally a leverage ratio of 4% or greater. An institution is "undercapitalized" if it has a total risk-based capital ratio of less than 8%, a Tier I risk-based capital ratio of less than 4%, or generally a leverage ratio of less than 4%. An institution is deemed to be "significantly undercapitalized" if it has a total risk-based capital ratio of less than 6%, a Tier I risk-based capital ratio of less than 3%, or a leverage ratio of less than 3%. An institution is considered to be "critically undercapitalized" if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2%. As of December 31, 1998, Matrix Bank was a "well capitalized" institution.

"Undercapitalized" institutions must adhere to growth, capital distribution (including dividend) and other limitations and are required to submit a capital restoration plan. A savings institution's compliance with such plan is required to be guaranteed by any company that controls the "undercapitalized" institution in an amount equal to the lesser of 5% of total assets when deemed "undercapitalized" or the amount necessary to achieve the status of "adequately capitalized." If an "undercapitalized" savings institution fails to submit an acceptable plan, it is treated as if it is "significantly undercapitalized." "Significantly undercapitalized" banks must comply with one or more of a number of additional restrictions, including, but not limited to, an order by the OTS to sell sufficient voting stock to become "adequately capitalized," requirements to reduce total assets and cease receipt of deposits from correspondent banks or dismiss directors or officers, and restriction on interest rates paid on deposits, compensation of executive officers and capital distributions by the parent holding company. "Critically undercapitalized" institutions must comply with additional sanctions including, subject to a narrow exception, the appointment of a receiver or conservator within 270 days after it obtains such status.

The following table indicates Matrix Bank's regulatory capital ratios at December 31, 1998:

<TABLE>
<CAPTION>

	As of December 31, 1998	
	CORE CAPITAL	RISK-BASED CAPITAL
	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
Shareholder's equity/GAAP capital.....	\$ 51,163	\$ 51,163

Additional capital items:		
General valuation allowances.....	--	2,985
Regulatory capital as reported to the OTS.....	51,163	54,148
Minimum capital requirement as reported to the OTS.....	32,828	36,938
Regulatory capital--excess.....	\$ 18,335	\$ 17,210
Capital ratios.....	6.23%	11.73%
Well capitalized requirement.....	5.00%	10.00%

FEDERAL HOME LOAN BANK SYSTEM. Matrix Bank is a member of the Federal Home Loan Bank ("FHLB") system, which consists of 12 regional FHLBs. The FHLB provides a central credit facility primarily for member associations and administers the home financing credit function of savings associations. FHLB advances must be secured by specified types of collateral and may only be obtained for the purpose of providing funds for residential housing finance. The FHLB funds its operations primarily from proceeds derived from the sale of consolidated obligations of the FHLB system. Matrix Bank, as a member of the FHLB system, must acquire and hold shares of capital stock in its regional FHLB in an amount at least equal to 1% of the aggregate principal amount of its unpaid residential mortgage loans and similar obligations at the beginning of each year, or 1/20 of its advances (borrowings) from the FHLB, whichever is greater. Matrix Bank was in compliance with this requirement with an investment in FHLB stock at December 31, 1998 of \$15.6 million.

The FRB regulations require depository institutions to maintain noninterest-earning reserves against their transaction accounts (primarily NOW and regular checking accounts). The FRB regulations generally require that reserves be maintained against aggregate transaction accounts as follows: for that portion of transaction accounts aggregating \$46.5 million or less (which may be adjusted by the FRB) the reserve requirement is 3%; and for accounts greater than \$46.5 million, the reserve requirement is \$1.4 million plus 10% (which may be adjusted by the FRB between 8% and 14%) against that portion of total transaction accounts in excess of \$46.5 million. At December 31, 1998, Matrix Bank had \$11.2 million of reserves with the Federal Reserve System.

MORTGAGE BANKING OPERATIONS. The rules and regulations applicable to the Company's mortgage banking operations establish underwriting guidelines that, among other things, include anti-discrimination provisions, require provisions for inspections, appraisals and credit reports on prospective borrowers and fix maximum loan amounts. Moreover, lenders, such as the Company, are required annually to submit to the HUD, FNMA and FHLMC audited financial statements, and each regulatory entity maintains its own financial guidelines for determining net worth and eligibility requirements. The Company's affairs are also subject to examination by HUD, FNMA and FHLMC at any time to assure compliance with the applicable regulations, policies and procedures. Mortgage loan origination activities are subject to, among others, the Equal Credit Opportunity Act, Federal Truth-in-Lending Act and the Real Estate Settlement Procedures Act of 1974, as amended, and the regulations promulgated thereunder that prohibit discrimination and require the disclosure of certain basic information to mortgagors concerning credit terms and settlement costs.

Additionally, there are various state and local laws and regulations affecting the Company's operations. The Company is licensed in those states in which it does business requiring such a license where the failure to be licensed would have a material adverse effect on the Company, its business, or its assets. Mortgage origination operations also may be subject to state usury statutes.

REGULATION OF STERLING TRUST COMPANY. Sterling Trust provides custodial services and directed (nondiscretionary) trustee services. Sterling Trust was chartered under the laws of the State of Texas, and as a Texas trust company is subject to supervision, regulation and examination by the Texas Department of Banking (the "TDB"). Under applicable law, a Texas trust company, such as Sterling Trust, is subject to virtually all provisions of the Texas Finance Code (the "TFC") as if the trust company were a state chartered bank. The activities of a Texas trust company are limited by applicable law generally to acting as a trustee, executor, administrator, guardian or agent for the performance of any lawful act, and to lend and accumulate money when authorized under applicable law. In addition, a Texas trust company with capital of not less than \$1 million, such as Sterling Trust, has the power to (i) purchase, sell, discount and negotiate notes, drafts, checks and other evidences of indebtedness, (ii) purchase and sell securities, (iii) issue subordinated debentures and capital notes with the written consent of the Texas Banking Commissioner (the "Commissioner") and (iv) exercise powers incidental to the enumerated powers described in the TFC. A Texas trust company, such as Sterling Trust, is generally prohibited from accepting demand or time deposits if not insured by the FDIC.

Limitation on Capital Distributions. The TFC prohibits a Texas trust

company from reducing its outstanding capital and restricted surplus through redemption or other capital distribution without the prior written approval of the Commissioner. The TFC does not prohibit the declaration and payment of pro rata share dividends consistent with the Texas Business Corporation Act.

Investments. A Texas trust company is generally obligated to maintain an amount equal to 40% of its capital and surplus in investments that are readily marketable and can be converted into cash within four business days. Subject to the requirements set forth in the preceding sentence, a Texas trust company is permitted to invest its corporate assets in any investment permitted by law, provided that without the prior written consent of the Commissioner or otherwise provided by the TFC, a Texas trust company may not invest an amount in excess of 15% of its capital and certified surplus in the securities of a single issuer.

Branching. The TFC permits a Texas trust company to establish and maintain branch offices at any location within the state on prior written approval of the Commissioner.

Transactions with Related Parties. The TFC prohibits the sale or lease of an asset of a Texas trust company, or the purchase or lease of an asset by a Texas trust company, where the transaction involves an officer, director, principal shareholder or affiliate, unless such transaction is approved by a disinterested majority of the board of directors or the prior written approval of the Commissioner.

Enforcement. Under applicable provisions of the TFC, the Commissioner has the power to issue enforcement actions against a Texas trust company or any officer, employee or director of a Texas trust company. In addition, in certain circumstances, the Commissioner may remove a present or former officer, director or employee of a Texas trust company from office or employment, and may prohibit a shareholder or other persons participating in the affairs of a Texas trust company from such participation. The Commissioner has the authority to assess civil penalties of up to \$500 per day for violations of a cease and desist, removal or prohibition order.

Capital Requirements. Applicable law requires a Texas trust company to have and maintain capital of at least \$1 million. The Commissioner may require additional capital of a Texas trust company if the Commissioner determines it necessary to protect the safety and soundness of such company. Sterling Trust is in compliance with all capital requirements under Texas law.

ITEM 2. PROPERTIES

The executive and administrative offices of the Company, United Financial and UCM are located at 1380 Lawrence Street, Suite 1400, Denver, Colorado 80204. The lease on these premises extends through December 2002 and the current annual rent is approximately \$185,000. The Company leases an additional 8,100 square feet in downtown Denver for a monthly rental payment of approximately \$8,400, under terms that extend through June 2001. Most of this additional space is utilized by USS's operations. The Company also owns a 30,000 square foot building in Phoenix, which houses the majority of Matrix Financial's operations. This building was purchased by the Company in 1994 and is subject to third party mortgage indebtedness. See Note 8 to the Consolidated Financial Statements included elsewhere herein. The Company also leases four smaller office facilities in Atlanta, Denver, Las Vegas and Scottsdale, most of which are currently used by Matrix Financial to conduct its wholesale loan origination activities.

Matrix Bank owns an approximately 30,000 square foot building in Las Cruces, New Mexico. Of this 30,000 square feet, approximately 17,800 square feet serve as the headquarters for Matrix Bank. Substantially all of the remaining space is rented to unaffiliated third party tenants at market rates. Matrix Bank also owns an 1,800 square foot detached branch in Las Cruces and an approximately 3,000 square foot branch in Sun City, Arizona. Additionally, Matrix Bank's loan origination branch in Evergreen, Colorado leases approximately 1,650 square feet for a monthly rental payment of approximately \$3,000, under a lease that expires on January 1, 2000.

Sterling Trust occupies approximately 11,300 square feet in Waco, Texas, under a lease agreement that is in place until June 30, 2001, at a monthly rental payment of \$13,553. The lease agreement provides for renewal options and allocation of certain expenses the lessee would reimburse over a specified amount during the life of the lease. Three officers of Sterling Trust and an officer of First Matrix own, in the aggregate, approximately 33% of the equity interest in the lessor. Additionally, Sterling Trust leases another 928 square feet, also in Waco, under a lease that expires on June 30, 1999, for a monthly rental amount of \$1,021. Management of Sterling Trust anticipates the renewal of this lease at its expiration.

First Matrix is located in Arlington, Texas and operates in a 1,446 square foot office suite. The current lease requires a monthly payment of \$1,506 and

matures on April 30, 1999. Management of First Matrix plans to renew this lease for an additional year at a rate that slightly exceeds their current monthly payment.

UCM also leases approximately 1,550 square feet in St. Louis, Missouri for a monthly rental payment of \$2,325. The St. Louis lease extends through October 2000.

The Company believes that all of its present facilities are adequate for its current needs and that additional space is available for future expansion upon acceptable terms.

ITEM 3. LEGAL PROCEEDINGS

United Financial is a defendant in a lawsuit entitled Douglas County Bank & Trust Co. v. United Financial, Inc. that was commenced on or about May 23, 1997 in the United States District Court for the District of Nebraska. In the action, the plaintiff-buyer alleged that United Financial, as broker for the seller, made false representations regarding the GNMA certification of certain mortgage pools, the servicing rights of which were offered for sale in a written offering. The plaintiff further alleged that it relied on United Financial's representations in purchasing the servicing rights from the seller. Trial was conducted in Omaha, Nebraska during the week of July 12, 1998. The jury returned a verdict in favor of United Financial on four counts and in favor of the plaintiff on one count, and awarded the plaintiff \$75,000. On July 31, 1998, the plaintiff filed a motion for judgement notwithstanding the verdict, or alternatively, a new trial. On November 6, 1998, the Court denied the plaintiff's motion. Plaintiff has appealed the Court's ruling, and no assurances can be given that an adverse judgment of a material amount will not ultimately be rendered or that any such judgment would not have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows. United Financial is considering an appeal of the \$75,000 award to the plaintiff.

Matrix Financial was named defendant in an action styled Leslie M. Ronzitti v. Matrix Financial Services Corp. and Wendover Funding. Plaintiff commenced this action on or about August 8, 1997. The plaintiff alleged that Matrix Financial, as servicer for Matrix Bank, breached the terms of the underlying note and deed of trust with plaintiff and otherwise committed negligence, fraud and violations of RESPA in connection with their servicing of plaintiff's mortgage loan. On December 31, 1998, the parties settled this action. Matrix Financial agreed to pay the plaintiff a nominal amount in consideration of the plaintiff's full release of all claims against Matrix Financial and the dismissal of the suit with prejudice by the plaintiff.

Matrix Bank has been named defendant in an action styled Transamerica Mortgage Company v. Matrix Capital Bank that was commenced on or about February 7, 1999 in the District Court of the J-191st Judicial District, Dallas County, Texas. The plaintiff has alleged that Matrix Bank, as seller of certain mortgage loans to plaintiff, breached a representation and warranty given to plaintiff by Matrix Bank under the purchase agreement relating to such loans. The action relates to approximately \$700,000 in principal amount of mortgage loans, and plaintiff has requested specific performance of the repurchase obligations of Matrix Bank under the purchase agreement and/or an unspecified amount of damages. Matrix Bank believes that it has defenses to this lawsuit. However, no assurances can be given that an adverse judgment will not ultimately be rendered or that any such judgment would not have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows.

The Company is involved from time to time in routine litigation incidental to its business. However, other than described above, the Company believes that it is not a party to any material pending litigation that, if decided adversely to the Company, would have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows.

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

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

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock, \$.0001 par value ("Common Stock"), is traded on the NASDAQ National Market under the symbol "MTXC." The initial public offering of Common Stock occurred on October 18, 1996. The following table sets forth the

high and low sales prices for the Common Stock on the NASDAQ National Market for the periods indicated.

<TABLE>
<CAPTION>

Quarter Ended:	MARKET PRICE	
	HIGH	LOW
<S>	<C>	<C>
December 31, 1998.....	\$ 13.750	\$ 6.625
September 30, 1998.....	28.750	8.000
June 30, 1998.....	29.250	25.000
March 31, 1998.....	28.625	13.500
December 31, 1997.....	18.250	13.875
September 30, 1997.....	16.875	13.000
June 30, 1997.....	14.250	10.250
March 31, 1997.....	15.875	11.625

</TABLE>

On March 11, 1999, the closing price of the Common Stock was \$14.25 per share. Also as of that date, the approximate number of holders of record of the Company's Common Stock was 65. This number does not include beneficial owners who hold their shares in a depository trust in "street" name.

Since its organization in June 1993, the Company has not paid any dividends on its equity, except for an aggregate of \$92,000 in dividends paid in 1993 and \$201,000 paid in 1996, of which \$4,000 for 1993 and \$201,000 for 1996 represent dividends paid by Vintage (i.e., the pooled company) prior to its acquisition by the Company. The Company expects that it will retain all available earnings generated by its operations for the development and growth of its business and does not anticipate paying any cash dividends in the foreseeable future. Any future determination as to dividend policy will be made at the discretion of the Board of Directors of the Company and will depend on a number of factors, including the future earnings, capital requirements, financial condition and future prospects of the Company and such other factors the Board of Directors may deem relevant. The Company's bank stock loan, which was amended in June 1998, does not permit Matrix Bancorp to declare or pay any dividends. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and Note 8 to the Consolidated Financial Statements included elsewhere herein. In addition, the ability of Matrix Financial, Sterling Trust and Matrix Bank to pay dividends to the Company may be restricted in certain instances, including covenants under Matrix Financial's existing warehouse facilities and certain other debt covenants of the Company.

Item 6. Selected Financial Data

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION
(Dollars in thousands, except per share data)

The following selected financial data should be read in conjunction with the Consolidated Financial Statements and Notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations," each of which is included elsewhere herein. In February 1997, the Company completed the acquisition of Vintage in a transaction accounted for as a pooling of interests. As a result of the pooling, the historical financial and other information of the Company has been restated to include the financial and other information of Vintage.

<TABLE>
<CAPTION>

	As of and for the Year Ended December 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Operating Data					
Net interest income before provision for loan and valuation losses.....	\$ 24,190	\$ 13,888	\$ 6,059	\$ 3,592	\$ 4,004
Provision for loan and valuation losses.....	4,607	874	143	401	216
Net interest income after provision for loan and valuation losses.....	19,583	13,014	5,916	3,191	3,788
Noninterest income:					
Loan administration.....	17,411	16,007	8,827	7,749	6,926
Brokerage.....	7,054	3,921	4,364	4,787	4,017

Trust services.....	4,169	3,561	3,061	2,869	2,488
Gain on sale of loans and mortgage-backed securities.....	3,108	2,441	3,121	3,039	1,590
Gain on sale of mortgage servicing rights.....	803	3,365	3,232	1,164	684
Loan origination(1).....	5,677	4,694	1,809	2,302	1,294
Other.....	8,523	4,040	2,173	1,744	940
Total noninterest income.....	46,745	38,029	26,587	23,654	17,939
Noninterest expense.....	52,939	37,746	26,655	20,453	16,593
Income before income taxes.....	13,389	13,297	5,848	6,392	5,134
Income taxes.....	4,876	5,159	2,278	2,469	2,014
Net income.....	\$ 8,513	\$ 8,138	\$ 3,570 (2)	\$ 3,923	\$ 3,120
Net income per share assuming dilution(3).....	\$ 1.24	\$ 1.20	\$ 0.68	\$ 0.83	\$ 0.69
Weighted average common shares assuming dilution.....	6,881,890	6,781,808	5,077,321	4,707,221	4,529,593
Cash dividends(4).....	\$ --	\$ --	\$ 201	\$ --	\$ --
Balance Sheet Data					
Total assets.....	\$1,012,640	\$ 606,745	\$ 274,559	\$ 186,313	\$ 113,597
Total loans (excluding allowance for loan and valuation losses).....	852,158	513,128	213,400	147,608	90,068
Allowance for loan and valuation losses.....	3,710	1,756	1,039	943	728
Nonperforming loans and leases(5).....	13,209	4,990	3,903	5,538	3,314
Mortgage servicing rights.....	58,147	36,440	23,680	13,817	6,183
Foreclosed real estate(5).....	916	1,242	788	835	543
Deposits(6) (7).....	490,516	224,982	90,179	48,877	41,910
Custodial escrow balances.....	96,824	53,760	37,881	27,011	24,687
FHLB borrowings.....	168,000	171,943	51,250	19,000	14,600
Borrowed money.....	178,789	89,909	42,431	65,093	18,438
Total shareholders' equity.....	49,354	40,610	32,270	10,686	6,662
Operating Ratios and Other Selected Data					
Return on average assets(8).....	1.02%	1.78%	1.69%	2.59%	3.13%
Return on average equity(8).....	18.92	22.71	24.30	47.62	57.06
Average equity to average assets(8).....	5.41	7.86	6.97	5.44	5.49
Net interest margin(8) (9).....	3.37	3.70	3.45	2.84	4.64
Operating efficiency ratio(10).....	79.81	73.95	82.01	76.19	76.37
Total amount of loans purchased.....	\$ 678,150	\$ 493,693	\$ 159,015	\$ 91,774	\$ 80,048
Balance of owned servicing portfolio (end of period).....	\$5,357,729	\$3,348,062	\$2,505,036	\$1,596,385	\$ 1,041,785
Trust assets under administration (end of period).....	\$2,089,562	\$1,437,478	\$1,162,231	\$ 952,528	\$ 750,186
Wholesale loan origination volume.....	\$ 574,963	\$ 402,984	\$ 583,279	\$ 388,937	\$ 183,130

21

<TABLE>
<CAPTION>

As of and for the
Year Ended December 31,

	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Loan Performance Ratios					
Nonperforming loans and leases/total loans(5).....	1.55%	0.97%	1.83%	3.75%	3.68%
Nonperforming assets/total assets(5).....	1.39	1.03	1.89	3.42	3.40
Net loan charge-offs/average loans(8).....	0.38	0.04	0.03	0.15	0.03
Allowance for loan and valuation losses/ total loans.....	0.44	0.34	0.49	0.64	0.81
Allowance for loan and valuation losses/ nonperforming loans.....	28.09	35.19	26.62	17.03	21.97

- (1) On January 1, 1995, the Company adopted FAS 122, which was superceded by FAS 125. Since FAS 122 prohibited retroactive application, the historical accounting results for 1998, 1997, 1996 and 1995 are not directly comparable to the results for prior periods.
- (2) See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Comparison of Results of Operations for Fiscal Years 1997 and 1996--Loan Origination Income" for a discussion of the impact on net income of a secondary marketing loss incurred in March 1996.
- (3) Net income per common share assuming dilution is based on the weighted average number of common shares outstanding during each period and the dilutive effect, if any, of stock options and warrants outstanding. There are no other dilutive securities.
- (4) Represents dividends paid by Vintage prior to its acquisition by the Company.
- (5) See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Asset and Liability Management--Nonperforming Assets" for a discussion of the impact of certain bulk purchases of mortgage loan portfolios on the level of nonperforming loans and foreclosed real estate, and the effect of repurchasing sub-prime automobile loans.

- (6) Following the Company's acquisition of Vintage in February 1997, Sterling Trust moved approximately \$80.0 million of fiduciary deposits from a third party institution to Matrix Bank.
- (7) Beginning in February 1998, Matrix Bank began accepting brokered deposits. At December 31, 1998, the total balance of brokered deposits was \$148.7 million.
- (8) Calculations are based on average daily balances where available and monthly averages otherwise.
- (9) Net interest margin has been calculated by dividing net interest income before loan and valuation loss provision by average interest-earning assets.
- (10) The operating efficiency ratio has been calculated by dividing noninterest expense by operating income (net interest income plus noninterest income).

Item 7. Management's Discussion and Analysis of Financial Condition and Results

 of Operations

The following management's discussion and analysis of the financial condition and results of operations of the Company should be read in conjunction with the preceding "Selected Consolidated Financial and Operating Information." Additionally, the Company's Consolidated Financial Statements and the Notes thereto, as well as other data included herein, should be read and analyzed in combination with the analysis below.

General

The Company was formed in June 1993 when the founding shareholders of Matrix Financial and United Financial, Subsidiaries of the Company, exchanged all of the outstanding capital stock of those two entities for shares of the Company in a series of transactions that were each accounted for as a pooling of interests. In September 1993, the Company acquired Dona Ana Savings and Loan Association, FSB (which was subsequently renamed Matrix Capital Bank). The acquisition was accounted for using the purchase method of accounting. The Company formed USS in June 1995 and UCM in December 1996. In February 1997, the Company acquired Vintage in a pooling of interests and, accordingly, no goodwill was recorded and the consolidated financial statements of the Company for the prior periods have been restated.

The principal components of the Company's revenues consist primarily of net interest income recorded by Matrix Bank and Matrix Financial, loan administration fees generated by Matrix Financial, brokerage, consulting and disposition services fees realized by United Financial, UCM and USS, respectively, loan origination fees and gains on sales of mortgage loans and MSR's generated by Matrix Bank and Matrix Financial and trust service fees generated by Sterling Trust. The Company's results of operations are influenced by changes in interest rates and the effect of these changes on the interest spreads of the Company, the volume of loan originations, mortgage loan prepayments and the value of mortgage servicing portfolios.

Comparison of Results of Operations for Fiscal Years 1998 and 1997

Net Income; Return on Average Equity. Net income increased \$375,000, or 4.6%, to \$8.5 million (\$1.24 per share) for fiscal year 1998 as compared to \$8.1 million (\$1.20 per share) for fiscal year 1997. Return on average equity decreased to 18.9% for fiscal year 1998 as compared to 22.7% for fiscal year 1997. Excluding non-recurring charges in both years, net income increased \$1.1 million, or 12.1%, to \$10.1 million for fiscal year 1998 as compared to \$9.0 million for fiscal year 1997. The non-recurring charges recorded during 1998, on a pre-tax basis, include a \$2.3 million loss recorded related to MCA (discussed below), \$255,000 related to United Financial's litigation expenses pertaining to the Douglas County case and \$62,000 of costs that were written off due to the termination of the merger agreement with Fidelity National Financial, Inc. Non-recurring charges in 1997 consisted of a \$1.4 million pre-tax loss relating to the recourse obligation, subsequent operation

and ultimate disposition of the Company's entire portfolio of sub-prime auto loans. Excluding non-recurring charges, earnings per share increased 10.4% (\$1.47 compared to \$1.33 from the prior year) and returns on average equity were 22.5% and 25.2% for fiscal years 1998 and 1997, respectively.

During recent years, Matrix Financial entered into several purchase transactions with MCA Mortgage Corporation ("MCA"), a Michigan-based mortgage banking entity. At December 31, 1998, Matrix Financial was carrying approximately \$5.0 million of residential mortgage loans on its balance sheet that were purchased from MCA on a servicing retained basis. The Company also had an outstanding receivable relating to brokerage and consulting services provided to MCA. In January 1999, the Company learned that MCA was closing its operations. Additionally, in February 1999, the Company learned that MCA had declared bankruptcy and that some of the loans purchased by

Matrix Financial had been sold multiple times or pledged multiple times as security for repayment of various credit facilities. The Company also discovered that there appeared to be servicing issues relating to some of the purchased loans. The servicing issues consisted of instances in which loans owned by Matrix Financial and serviced by MCA had previously paid off, but for which MCA had continued to remit monthly principal and interest, rather than the payoff proceeds. As a result of the above MCA issues, the Company recorded a \$2.3 million loss as of December 31, 1998.

Net Interest Income. Net interest income before provision for loan and valuation losses increased \$10.3 million, or 74.2%, to \$24.2 million for fiscal year 1998 as compared to \$13.9 million for fiscal year 1997. The increase in net interest income before provision for loan and valuation losses was due to a 94.6% increase in the Company's average loan balance, which was offset by a decrease in the Company's net interest margin to 3.37% for fiscal year 1998 as compared to 3.70% for fiscal year 1997. The average yield on loans decreased to 8.59% in 1998 from 8.74% in 1997, primarily due to the overall decrease and continuance of lower interest rates in the market, as well as the acquisition by the Company of fewer discounted loans. Average interest-bearing liabilities increased to \$663.6 million for fiscal year 1998 from \$322.8 million for the prior fiscal year. The increase in the average interest-bearing liabilities was offset by a reduction in the cost of the interest-bearing liabilities to 5.50% in 1998 from 5.66% in 1997. For a tabular presentation of the changes in net interest income due to changes in volume of interest-earning assets and changes in interest rates, see "--Analysis of Changes in Net Interest Income Due to Changes in Interest Rates and Volumes."

Provision for Loan and Valuation Losses. The provision for loan and valuation losses increased \$3.7 million to \$4.6 million for fiscal year 1998 as compared to \$874,000 for fiscal year 1997. This increase was primarily attributable to the MCA loss, as well as the increase in the balance of loans receivable, which increased to \$852.2 million at December 31, 1998 as compared to \$513.1 million at December 31, 1997. For a discussion of the components of the allowance for loan losses, see "--Asset and Liability Management--Analysis of Allowance for Loan and Valuation Losses." For a discussion on the allowance as it relates to nonperforming assets, see "---Asset and Liability Management--Nonperforming Assets."

Loan Administration. Loan administration income represents service fees and other income earned from servicing loans for various investors. Loan administration income includes service fees that are based on a contractual percentage of the outstanding principal balance plus late fees and other ancillary charges. Loan administration fees increased \$1.4 million, or 8.8%, to \$17.4 million for fiscal year 1998 as compared to \$16.0 million for fiscal year 1997. Loan administration fees are affected by factors that include the size of the Company's residential mortgage loan servicing portfolio, the servicing spread, the timing of payment collections and the amount of ancillary fees collected. The 1998 increase was primarily attributable to the increase in the outstanding principal balance underlying the Company's mortgage loan servicing portfolio. The mortgage loan servicing portfolio increased \$556.8 million, or 16.3%, to an average balance of \$4.0 billion for fiscal year 1998 as compared to an average balance of \$3.4 billion for fiscal year 1997. This increase was offset by a reduction in the average service fee rate (including all ancillary income) to 0.44% for fiscal year 1998 as compared to 0.47% for fiscal year 1997.

Brokerage fees. Brokerage fees represent income earned from brokerage and consulting services performed pertaining to MSR's. Brokerage fees increased \$3.2 million, or 79.9%, to \$7.1 million for fiscal year 1998 as compared to \$3.9 million for fiscal year 1997. This increase is the result of an increase in the balance of residential mortgage servicing portfolios brokered by United Financial, which in terms of aggregate unpaid principal balances on the underlying loans, increased \$33.0 billion to \$66.4 billion for fiscal year 1998 as compared to \$33.4 billion for fiscal year 1997. Due to current market conditions for MSR's, the Company is unable to predict whether United Financial will continue to broker the volume of MSR's that it did during fiscal year 1998. In addition, brokerage fees vary from quarter to quarter as the timing of servicing sales is dependent upon the seller's need to recognize a sale or to receive cash flows.

Trust Services. Trust service fees increased \$608,000, or 17.1%, to \$4.2 million for fiscal year 1998 as compared to \$3.6 million for fiscal year 1997. This increase is associated with the growth in the number of trust accounts under administration at Sterling Trust, which increased to 36,374 accounts at December 31, 1998 from 29,382 accounts at December 31, 1997 and the increase in total assets under administration to \$2.1 billion at December 31, 1998 from \$1.4 billion at December 31, 1997.

Over half of the increase in accounts is the result of a service agreement with a large Registered Investment Advisor ("Advisor"), which was signed in early 1998 and provides custody and clearing services for this Advisor's clients. While this represents a significant portion of Sterling Trust's growth during 1998, the Advisor's clients have all signed individual agreements for Sterling

Trust's services.

Gain on Sale of Loans. During fiscal years 1998 and 1997, the Company made bulk loan sales of approximately \$319.4 million and \$198.3 million, for gains on sale of bulk mortgage loans of \$3.1 million and \$2.4 million, respectively. Gain on sale of loans can fluctuate significantly from year to year based on a variety of factors, such as the current interest rate environment, the supply and mix of loan portfolios available in the market, the type of loan portfolios the Company purchases and the particular loan portfolios the Company elects to sell.

Gain on Sale of Mortgage Servicing Rights. Gain on the sale of MSRs decreased \$2.6 million, or 76.1%, to \$803,000 for fiscal year 1998 as compared to \$3.4 million for fiscal year 1997. In terms of aggregate outstanding principal balances of mortgage loans underlying such MSRs, the Company sold \$175.3 million in purchased MSRs during fiscal year 1998 as compared to \$1.3 billion during fiscal year 1997. Gains from the sale of MSRs can fluctuate significantly from year to year based on the market value of the Company's servicing portfolio, the particular servicing portfolios the Company elects to sell and the availability of similar portfolios in the market. Due to the Company's position in and knowledge of the market, the Company will at times pursue opportunistic sales of MSRs.

Loan Origination. Loan origination income increased \$983,000, or 20.9%, to \$5.7 million for fiscal year 1998 as compared to \$4.7 million for fiscal year 1997. This increase is attributable to the increase in wholesale residential mortgage loan production of \$172.0 million, or 42.7%, to \$575.0 million during fiscal year 1998 as compared to \$403.0 million during fiscal year 1997. Loan origination income includes all mortgage loan fees, secondary marketing activity on new loan originations, and servicing release premiums on new originations sold, net of origination costs.

Other Income. Other income increased \$4.5 million, or 111.0%, to \$8.5 million for fiscal year 1998 as compared to \$4.0 million for fiscal year 1997. The increase in other income was primarily due to increased consulting income from UCM which rose to \$2.6 million for fiscal year 1998 as compared to \$184,000 for fiscal year 1997, an increase in USS service fee income which totaled \$2.0 million for fiscal year 1998 as compared to \$1.1 million for fiscal year 1997 and certain financing transactions engaged in by the Company which increased miscellaneous fee income over the prior fiscal year.

Noninterest Expense. Noninterest expense increased \$15.2 million, or 40.3%, to \$52.9 million for fiscal year 1998 as compared to \$37.7 million for fiscal year 1997. This increase was primarily due to the overall growth and expansion of the Company that began in the fourth quarter of 1997 and has continued throughout 1998 and the increase in the amortization of MSRs. This growth and expansion included the continued growth in the origination of loans at Matrix Financial, the opening of a new lending subsidiary of Matrix Financial and moderate growth at most of the other Subsidiaries. The following table details the major components of noninterest expense for the periods indicated:

<TABLE>

<CAPTION>

	Year Ended December 31,	
	1998	1997

	(In thousands)	
<S>	<C>	<C>
Compensation and employee benefits.....	\$22,194	\$14,724
Amortization of mortgage servicing rights.....	10,563	6,521
Occupancy and equipment.....	3,059	2,132
Postage and communication.....	2,393	1,522
Professional fees.....	1,439	976
Data processing.....	1,344	843
Losses related to recourse sales.....	-	1,237
Other general and administrative.....	11,947	9,791
	-----	-----
Total.....	\$52,939	\$37,746
	=====	=====

</TABLE>

Compensation and employee benefits increased \$7.5 million, or 50.7%, to \$22.2 million for fiscal year 1998 as compared to \$14.7 million for fiscal year 1997. This increase was primarily the result of the expansion discussed above, as well as expansion in the operations of Matrix Bank. Additionally, commission-based compensation at Matrix Financial and United Financial increased due to the overall increases in loan origination and brokerage income, respectively. Most of the Company's other Subsidiaries also added new employees during 1998. The Company had an overall increase of 68 employees, or 17.9%, to 447 full-time employees at December 31, 1998 as compared to 379 full-time employees at December 31, 1997.

Amortization of MSRs increased \$4.1 million, or 62.0%, to \$10.6 million for fiscal year 1998 as compared to \$6.5 million for fiscal year 1997. Amortization of MSRs fluctuates based on the size of the Company's mortgage servicing portfolio and the prepayment rates experienced. The Company's prepayment rates on its servicing portfolio averaged 22.6% during fiscal year 1998 as compared to 11.3% during fiscal year 1997. In response to the lower interest rates prevalent in the market, prepayment speeds have increased due to borrowers refinancing into lower interest rate mortgages. The Company anticipates the increased amortization levels to continue for the foreseeable future in response to the historically low interest rate levels.

The remainder of noninterest expense, after removing the effect of the non-recurring charges in both years, which includes occupancy and equipment expense, postage and communication expense, professional fees, data processing costs and other expenses increased \$4.7 million, or 31.8% to \$19.8 million for fiscal year 1998 as compared to \$15.1 million for fiscal year 1997. The increase was generally attributable to the growth and expansion of the Company's business lines, especially with regard to Matrix Financial and Matrix Bank. Additionally, the Company experienced higher interest curtailment expenses related to the increased prepayments at Matrix Financial.

Provision for Income Taxes. The Company's provision for income taxes decreased \$283,000 to \$4.9 million for fiscal year 1998 as compared to \$5.2 million for fiscal year 1997. The increase in pre-tax income was offset by a reduction in the effective tax rate to 36.4% for fiscal year 1998 from 38.8% for fiscal year 1997. The decrease in the effective tax rate was the result of the origination of tax-exempt leases by the Company.

Comparison of Results of Operations for Fiscal Years 1997 and 1996

Net Income; Return on Average Equity. Net income increased \$4.5 million, or 128.0%, to \$8.1 million (\$1.20 per share) for fiscal year 1997 as compared to \$3.6 million (\$0.68 per share) for fiscal year 1996. Return on average equity decreased to 22.7% for fiscal year 1997 as compared to 24.3% for fiscal year 1996. The decrease in return on average equity was due to the increase in average equity to \$35.8 million for fiscal year 1997 as compared to \$14.7 million for fiscal year 1996. The increase in average equity is primarily attributable to the Company's initial public offering during the fourth quarter of 1996, which increased equity by \$18.2 million.

Net Interest Income. Net interest income before provision for loan and valuation losses increased \$7.8 million, or 129.2%, to \$13.9 million for fiscal year 1997 as compared to \$6.1 million for fiscal year 1996. The Company's net interest margin increased to 3.70% for fiscal year 1997 as compared to 3.45% for fiscal year 1996. These increases were attributable to the following: a 118.8% increase in the Company's average loan portfolio balance to \$355.8 million for fiscal year 1997 from \$162.6 million for fiscal year 1996, and a decrease in the cost of interest-bearing liabilities to 5.66% for fiscal year 1997 as compared to 6.59% for fiscal year 1996. The decrease in the cost of interest-bearing liabilities was the result of fiduciary deposits of approximately \$80.0 million administered by Sterling Trust being transferred from a third party financial institution to Matrix Bank upon completion of the Vintage acquisition. The above were offset by a 102.8% increase in average interest-bearing liabilities to \$322.8 million for fiscal year 1997 as compared to \$159.2 million for fiscal year 1996, and a decrease in the Company's yield on interest-earning assets to 8.55% from 9.43% for fiscal years 1997 and 1996, respectively. The decrease in the Company's yield on interest-earning assets was attributable to the lower yield earned on the loan portfolio, which decreased to 8.74% as compared to 9.67% for fiscal years 1997 and 1996, respectively. The loan portfolio yield decrease is attributable to the overall market decrease in interest rates and the acquisition of loans with less discounts by the Company. For a tabular presentation of the changes in net interest income due to changes in the volume of interest-earning assets and changes in interest rates, see "--Analysis of Changes in Net Interest Income Due to Changes in Interest Rates and Volumes."

Provision for Loan and Valuation Losses. Provision for loan losses increased \$731,000 to \$874,000 for fiscal year 1997 as compared to \$143,000 for fiscal year 1996. This increase was primarily attributable to the increase in the balance of loans receivable, which increased to \$513.1 million at December 31, 1997 as compared to \$213.4 million at December 31, 1996. For a discussion of the Company's allowance for loan losses as it relates to nonperforming assets, see "--Asset Quality--Nonperforming Assets."

Loan Administration. Loan administration fees increased \$7.2 million, or 81.3%, to \$16.0 million for fiscal year 1997 as compared to \$8.8 million for fiscal year 1996. Loan administration fees are affected by factors that include the size of the Company's residential mortgage loan servicing portfolio, the servicing spread, the timing of payment collections and the amount of ancillary fees received. This increase was primarily attributable to the increase in the outstanding principal balance underlying the Company's mortgage loan servicing portfolio. The mortgage loan servicing portfolio increased \$843.0 million, or 33.7%, to \$3.3 billion at December 31, 1997 from \$2.5 billion at December 31, 1996.

Brokerage Fees. Brokerage fees decreased \$443,000, or 10.2%, to \$3.9 million for fiscal year 1997 as compared to \$4.4 million for fiscal year 1996. This decrease occurred despite the increase in bulk servicing portfolios brokered by United

25

Financial. Servicing portfolios brokered by United Financial increased \$7.0 billion to \$33.4 billion for fiscal year 1997 as compared to \$26.4 billion for fiscal year 1996. The decrease in brokerage fees is attributable to an overall decrease in the margins earned on servicing brokered.

Trust Services. Trust service fees increased \$500,000, or 16.3%, to \$3.6 million for fiscal year 1997 as compared to \$3.1 million for fiscal year 1996. This increase is associated with the growth in the number of trust accounts under administration at Sterling Trust, which increased to 29,382 accounts at December 31, 1997 from 25,772 accounts at December 31, 1996 and the increase in the total assets under administration which increased to over \$1.4 billion at December 31, 1997 from under \$1.2 billion at December 31, 1996.

Gain on Sale of Loans and Mortgage-Backed Securities. Gain on sale of loans and mortgage-backed securities decreased \$680,000, or 21.8%, to \$2.4 million for fiscal year 1997 as compared to \$3.1 million for fiscal year 1996. Gain on sale of loans can fluctuate significantly from year to year based on a variety of factors, such as the current interest rate environment, the supply of loan portfolios in the market, the mix of loan portfolios available, the type of loan portfolios the Company purchases and the particular loan portfolios the Company elects to sell.

Gain on Sale of Mortgage Servicing Rights. Gain on sale of MSRs increased \$133,000 to \$3.4 million for fiscal year 1997 as compared to \$3.2 million for fiscal year 1996. In terms of aggregate outstanding principal balances of mortgage loans underlying such servicing rights, the Company sold \$1.3 billion in purchased MSRs during fiscal year 1997 as compared to \$646.0 million during fiscal year 1996. Gains from the sale of MSRs can fluctuate significantly from year to year based on the market value of the Company's servicing portfolio, the particular servicing portfolios the Company elects to sell and the availability of similar portfolios in the market. A majority of the gain in 1997 pertains to MSRs bought by the Company in 1997. Due to the Company's position in and knowledge of the market, the Company will at times sell servicing portfolios if it is determined that the market value is greater than the economic value that would be achieved from holding the servicing portfolio.

Loan Origination. Loan origination income increased \$2.9 million, or 159.5%, to \$4.7 million for fiscal year 1997 as compared to \$1.8 million for fiscal year 1996 despite the \$180.3 million, or 30.9%, decrease in wholesale residential mortgage loan production to \$403.0 million for fiscal year 1997 as compared to \$583.3 million for fiscal year 1996. The increase in loan origination income was related to a \$1.9 million secondary marketing loss that occurred in the first quarter of 1996 and the origination in 1997 of a greater amount of non-agency eligible loans, which generally result in higher origination fees. The secondary loss was attributable to the failure of a former officer of Matrix Financial to adhere to the Company's established hedging policies, and as a result, certain closed loans were not adequately hedged. The \$1.9 million loss resulted when interest rates increased dramatically in March 1996, thereby causing the funded loans and pipeline commitments to decline in market value. Had the Company's policies been followed, a loss still would have been recognized, albeit significantly smaller, since it is difficult for the Company to be completely hedged when interest rates rapidly and significantly change. The Company has implemented several management and reporting changes to help ensure that the hedging policies established by Matrix Financial's Board of Directors are followed to mitigate secondary losses in volatile interest rate markets. Loan origination income includes all mortgage loan fees, secondary marketing activity on new loan originations and servicing release premiums on net originations sold, net of origination costs.

Other Income. Other income increased \$1.8 million, or 85.9%, to \$4.0 million for fiscal year 1997 as compared to \$2.2 million for fiscal year 1996. Other income mainly consists of fee income, including credit card fees earned by Matrix Bank, consulting income earned by UCM, brokerage income earned by First Matrix and USS service fee income. The increase in other income between 1997 and 1996 is predominantly related to the growth in credit card fee income, USS service fees and consulting income generated by UCM, which was formed in December 1996. Credit card fee income increased \$889,000 to \$908,000 for fiscal year 1997 as compared to \$19,000 for fiscal year 1996. Additionally, USS service fees and UCM consulting income increased \$557,000 and \$184,000, respectively, to \$1.1 million and \$184,000 for fiscal year 1997 as compared to \$564,000 and \$0 for fiscal year 1996.

Noninterest Expense. Noninterest expense increased \$11.1 million, or 41.6%, to \$37.7 million for fiscal year 1997 as compared to \$26.7 million for fiscal year 1996. This increase was primarily due to expenses related to the interim subservicing on mortgage servicing portfolios acquired in 1997, the expenses related to UCM which was formed in December 1996, the opening of a telemarketing

call center for the origination of loans at Matrix Financial, increased amortization due to the Company's increased investment in MSRs and the overall growth and expansion of the Company. During 1997, the Company recognized a pre-tax loss of approximately \$1.4 million relating to the recourse obligation, subsequent operation and ultimate disposition of its entire portfolio of sub-prime auto loans. This loss was less than the following non-recurring items, which were recorded during fiscal year 1996: a \$600,000 accrual for the previously disclosed settlement of a class-action lawsuit, a

one-time fee of \$450,000 to recapitalize the SAIF, and a \$787,000 loss relating to the repurchase of sub-prime auto loans. The following table details the major components of noninterest expense for the periods indicated:

<TABLE>
<CAPTION>

	Year Ended December 31,	
	1997	1996
	(In thousands)	
<S>	<C>	<C>
Compensation and employee benefits.....	\$14,724	\$12,722
Amortization of mortgage servicing rights.....	6,521	2,432
Occupancy and equipment.....	2,132	1,776
Postage and communication.....	1,522	1,214
Professional fees.....	976	666
Data processing.....	843	642
Losses related to recourse sales.....	1,237	787
Other.....	9,791	6,416
	-----	-----
Total.....	\$37,746	\$26,655
	=====	=====

</TABLE>

Compensation and employee benefits increased \$2.0 million, or 15.7%, to \$14.7 million for fiscal year 1997 as compared to \$12.7 million for fiscal year 1996. This increase was the result of continued expansion of the Company's business lines in 1997, including the opening of a retail branch of Matrix Bank, a new lending office of Matrix Bank, the formation of UCM at the end of 1996 and the opening of Matrix Financial's telemarketing call center. The Company had an increase of 119 employees, or 45.8%, to 379 full-time employees at December 31, 1997 as compared to 260 full-time employees at December 31, 1996.

Amortization of MSRs increased \$4.1 million, or 168.1%, to \$6.5 million for fiscal year 1997 as compared to \$2.4 million for fiscal year 1996. Amortization of MSRs fluctuates based on the size of the Company's mortgage servicing portfolio and the prepayment rates experienced. The prepayment speed experienced by the Company on the loans it serviced averaged 11.3% during fiscal year 1997 as compared to 11.9% during fiscal year 1996.

The remainder of noninterest expense, which includes occupancy and equipment expenses, postage and communication expenses, professional fees, data processing costs, losses related to recourse sales and other expenses, increased \$5.0 million, or 43.5%, to \$16.5 million for fiscal year 1997 as compared to \$11.5 million for fiscal year 1996. The increase was primarily attributable to \$1.2 million of interim subservicing costs on mortgage servicing portfolios acquired during 1997 and the expansion of both existing and new business lines.

Provision for Income Taxes. The provision for income taxes increased by \$2.9 million to \$5.2 million for fiscal year 1997 as compared to \$2.3 million for fiscal year 1996. The two periods had comparable effective tax rates of 38.8% and 39.0%, respectively.

Average Balance Sheet

The following table sets forth for the periods and as of the dates indicated, information regarding the Company's average balances of assets and liabilities as well as the dollar amounts of interest income from interest-earning assets and interest expense on interest-bearing liabilities and the resultant yields or costs. Ratio, yield and rate information are based on average daily balances where available; otherwise, average monthly balances have been used. Nonaccrual loans are included in the calculation of average balances for loans for the periods indicated.

<TABLE>
<CAPTION>

Year Ended December 31,								
1998			1997			1996		
Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate

				(Dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Assets									
Interest-earning assets:									
Loans receivable, net.....	\$692,443	\$59,452	8.59%	\$355,848	\$31,096	8.74%	\$162,648	\$15,733	9.67%
Mortgage-backed securities..	-	-	-	-	-	-	4,653	351	7.54
Interest-earning deposits...	15,042	627	4.17	15,371	778	5.06	5,556	312	5.62
FHLB stock.....	10,719	615	5.74	4,606	275	5.97	2,585	153	5.92
Total interest-earning assets.....	718,204	60,694	8.45	375,825	32,149	8.55	175,442	16,549	9.43

27

<TABLE>
<CAPTION>

	Year Ended December 31,					
	1998			1997		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	(Dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Noninterest-earning assets:						
Cash.....	\$ 13,241			\$ 10,268		
Allowance for loan and valuation losses.....	(2,223)			(1,343)		
Premises and equipment.....	9,913			8,302		
Other assets.....	93,208			62,922		
Total noninterest-earning assets.....	114,139			80,149		
Total assets.....	\$832,343			\$455,974		
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Passbook accounts.....	\$ 2,859	\$ 102	3.58%	\$ 2,859	\$ 113	3.95%
Money market and NOW accounts.....	142,382	4,432	3.11	96,982	3,278	3.38
Certificates of deposit.....	211,592	11,687	5.52	83,993	4,985	5.94
FHLB borrowings.....	159,381	8,554	5.37	59,984	3,435	5.73
Borrowed money.....	147,368	11,729	7.96	79,011	6,450	8.16
Total interest-bearing liabilities.....	663,582	36,504	5.50	322,829	18,261	5.66
Noninterest-bearing liabilities:						
Demand deposits (including custodial escrow balances).....	106,247			80,816		
Other liabilities.....	17,518			16,501		
Total noninterest-bearing liabilities.....	123,765			97,317		
Shareholders' equity.....	44,996			35,828		
Total liabilities and shareholders' equity....	\$832,343			\$455,974		
Net interest income before provision for loan and valuation losses.....		\$24,190			\$13,888	
Interest rate spread.....			2.95%			2.89%
Net interest margin.....			3.37%			3.70%
Ratio of average interest-earning assets to average interest-bearing liabilities.....			108.23%			116.42%

<CAPTION>

	Year Ended December 31,		
	1996		
	Average Balance	Interest	Average Rate
	(Dollars in thousands)		
<S>	<C>	<C>	<C>
Noninterest-earning assets:			
Cash.....	\$ 3,085		
Allowance for loan and valuation losses.....	(964)		
Premises and equipment.....	6,976		
Other assets.....	26,199		

Total noninterest-earning assets.....	35,296		
Total assets.....	\$210,738		
Liabilities and Shareholders' Equity			
Interest-bearing liabilities:			
Passbook accounts.....	\$ 2,389	\$ 82	3.43%
Money market and NOW accounts.....	11,964	468	3.91
Certificates of deposit.....	54,824	3,210	5.85
FHLB borrowings.....	35,838	2,039	5.69
Borrowed money.....	54,171	4,691	8.66
Total interest-bearing liabilities.....	159,186	10,490	6.59
Noninterest-bearing liabilities:			
Demand deposits (including custodial escrow balances).....	27,934		
Other liabilities.....	8,927		
Total noninterest-bearing liabilities.....	36,861		
Shareholders' equity.....	14,691		
Total liabilities and shareholders' equity....	\$210,738		
Net interest income before provision for loan and valuation losses.....			
		\$ 6,059	
Interest rate spread.....			2.84%
Net interest margin.....			3.45%
Ratio of average interest-earning assets to average interest-bearing liabilities.....			110.21%

</TABLE>

Analysis of Changes in Net Interest Income Due to Changes in Interest Rates and Volumes

The following table presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It distinguishes between the increase or decrease related to changes in balances and changes in interest rates. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (i.e., changes in volume multiplied by old rate) and (ii) changes in rate (i.e., changes in rate multiplied by old volume). For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately to the change due to volume and the change due to rate.

<TABLE>
<CAPTION>

	Year Ended December 31, 1998 vs. 1997 Increase (Decrease) Due to Change in			Year Ended December 31, 1997 vs. 1996 Increase (Decrease) Due to Change in		
	Volume	Rate	Total	Volume	Rate	Total
	(In thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-earning assets:						
Loans receivable, net.....	\$ 28,914	\$ (558)	\$ 28,356	\$ 18,688	\$ (3,325)	\$ 15,363
Mortgage-backed securities.....	--	--	--	(351)	--	(351)
Interest-earning deposits.....	(14)	(137)	(151)	551	(85)	466
FHLB stock.....	351	(11)	340	120	2	122
Total interest-earning assets.....	29,251	(706)	28,545	19,008	(3,408)	15,600

</TABLE>

<TABLE>
<CAPTION>

	Year Ended December 31, 1998 vs. 1997 Increase (Decrease) Due to Change in			Year Ended December 31, 1997 vs. 1996 Increase (Decrease) Due to Change in		
	Volume	Rate	Total	Volume	Rate	Total
	(In thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>

Interest-bearing liabilities:						
Passbook accounts.....	\$ --	\$ (11)	\$ (11)	\$ 16	\$ 15	\$ 31
Money market and NOW accounts.....	1,412	(258)	1,154	3,322	(512)	2,810
Certificates of deposit.....	7,043	(341)	6,702	1,708	67	1,775
FHLB advances.....	5,338	(219)	5,199	1,374	22	1,396
Borrowed money.....	5,441	(162)	5,279	2,151	(392)	1,759
	-----	-----	-----	-----	-----	-----
Total interest-bearing liabilities.....	19,234	(991)	18,243	8,571	(800)	7,771
	-----	-----	-----	-----	-----	-----
Change in net interest income before provision for loan and valuation losses.....	\$ 10,017	\$ 285	\$ 10,302	\$ 10,437	\$ (2,608)	\$ 7,829
	=====	=====	=====	=====	=====	=====

</TABLE>

Asset and Liability Management

General. A significant portion of the Company's revenues and net income is derived from net interest income and, accordingly, the Company strives to manage its interest-earning assets and interest-bearing liabilities to generate what management believes to be an appropriate contribution from net interest income. Asset and liability management seeks to control the volatility of the Company's performance due to changes in interest rates. The Company constantly attempts to achieve an appropriate relationship between rate sensitive assets and rate sensitive liabilities. The Company has responded to interest rate volatility by developing and implementing asset and liability management strategies designed to increase its noninterest income and improve the match between interest-earning assets and interest-bearing liabilities. These strategies include:

- . Utilizing MSRs as a source of noninterest income and as a countermeasure against the decline in the value of mortgage loans during a rising interest rate environment. Increases in interest rates tend to increase the value of MSRs because of the resulting decrease in prepayment rates on the underlying loans;
- . Increasing the noninterest-bearing custodial escrow balances related to the Company's MSRs;
- . Increasing focus on lines of business that are less interest rate sensitive, such as brokerage activities, consulting services, self-directed trust services and real estate disposition;
- . Maintaining a wholesale loan origination operation. Wholesale originations provide a form of hedge against the balance of MSRS. In a decreasing interest rate environment, the value of the servicing portfolio tends to decrease due to increased prepayments of the underlying loans. During this same period, however, the volume of loan originations generally increases;
- . Originating and purchasing adjustable rate mortgages and selling newly originated fixed rate residential mortgages in the secondary market;
- . Increasing emphasis on the origination of construction and commercial real estate lending, which tend to have higher interest rates with shorter loan maturities than residential mortgage loans and generally are at adjustable rates;
- . Increasing retail deposits, which are less susceptible to changes in interest rates than other funding sources;
- . Pursuing strategic acquisitions or alliances that provide fee-based income or generate liabilities that are less expensive or less interest rate sensitive than retail deposits or borrowings from third party institutions to fund the Company's investing activities; and
- . Hedging segments of the Company's servicing portfolio and selling forward commitments on our loan pipeline.

Lending Activities. The major interest-earning asset of the Company is the loan portfolio. Consequently, a significant part of the Company's asset and liability management involves monitoring the composition of the Company's loan portfolio, including the corresponding maturities. The following table sets forth the composition of the Company's loan portfolio by loan type as of the dates indicated. The amounts in the following table are shown net of discounts and other deductions.

<TABLE>
<CAPTION>

As of December 31,

-----	-----	-----	-----	-----
1998	1997	1996	1995	1994
-----	-----	-----	-----	-----

	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	(Dollars in thousands)									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Residential.....	\$732,512	86.34%	\$462,604	90.46%	\$192,118	90.47%	\$136,741	93.23%	\$ 80,010	89.56%
Multi-family, commercial real estate and commercial.....	52,689	6.21	29,492	5.77	15,352	7.23	7,544	5.15	7,518	8.41
Direct financing leases....	24,429	2.88	2,708	0.53	--	--	--	--	--	--
Construction.....	27,648	3.26	7,591	1.48	1,061	0.50	78	0.05	106	0.12
Consumer.....	14,880	1.75	10,733	2.10	4,869	2.29	3,245	2.21	2,434	2.72
Total loans and leases...	852,158	100.44	513,128	100.34	213,400	100.49	147,608	100.64	90,068	100.81
Less allowance for loan and valuation losses.....	3,710	0.44	1,756	0.34	1,039	0.49	943	0.64	728	0.81
Loans receivable, net.....	\$848,448	100.00%	\$511,372	100.00%	\$212,361	100.00%	\$146,665	100.00%	\$ 89,340	100.00%
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

</TABLE>

The following table presents the aggregate maturities of loans in each major category of the Company's loan portfolio as of December 31, 1998 (excluding the allowance for loan and valuation losses). Loans held for sale are classified as maturing within one year. Actual maturities may differ from the contractual maturities shown below as a result of renewals and prepayments or the timing of loan sales.

<TABLE>

<CAPTION>

	As of December 31, 1998			
	Less than one year	One to five years	Over five years	Total
	-----	-----	-----	-----
	(In thousands)			
<S>	<C>	<C>	<C>	<C>
Residential.....	\$ 724,827	\$ 530	\$ 7,155	\$ 732,512
Multi-family, commercial real estate and commercial...	14,930	12,478	25,281	52,689
Direct financing leases.....	24,429	--	--	24,429
Construction.....	21,481	2,533	3,634	27,648
Consumer.....	10,714	2,743	1,423	14,880
Total loans and leases.....	\$ 796,381	\$ 18,284	\$ 37,493	\$ 852,158
	=====	=====	=====	=====

</TABLE>

Included in loans held for sale is approximately \$49.5 million, at December 31, 1998, of loans which the Company has acquired under purchase/repurchase facilities and purchase agreements with several parties. The terms of these agreements vary with each seller but include provisions which require the seller to repurchase the loans within a defined period of time, or provide at the Company's option, the ability, on short notice, to require the seller to repurchase the loans, or in some cases, allow the seller to repurchase the loans. In all cases, the seller provides contractual recourse to the Company in the event of delinquency and/or loss.

Loans held for investment, which are contractually due in one or more years, are split between fixed and adjustable rates as follows:

<TABLE>

<CAPTION>

	As of December 31, 1998		
	One to five years	Over five years	Total
	-----	-----	-----
	(In thousands)		
<S>	<C>	<C>	<C>
Fixed.....	\$ 10,226	\$ 14,231	\$ 24,457
Adjustable.....	8,058	23,262	31,320
Total loans.....	\$ 18,284	\$ 37,493	\$ 55,777
	=====	=====	=====

</TABLE>

Nonperforming Assets. As part of asset and liability management, the Company monitors nonperforming assets ("NPAs") on a monthly basis. NPAs consist primarily of nonaccrual loans and foreclosed real estate. Loans are placed on nonaccrual when full payment of principal or interest is in doubt or when they are past due 90 days as to either principal or interest. Foreclosed real estate arises primarily through foreclosure on mortgage loans owned. The following table sets forth the Company's NPAs as of the dates indicated:

<TABLE>

<CAPTION>

As of December 31,					
	1998	1997	1996	1995	1994
	(Dollars in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Nonaccrual mortgage loans.....	\$ 8,208	\$ 4,796	\$ 3,031	\$ 5,523	\$ 3,275
Nonaccrual commercial loans and direct financing leases.....	4,349	--	--	--	--
Nonaccrual consumer loans.....	652	194	872	15	39
Total nonperforming loans and leases.....	13,209	4,990	3,903	5,538	3,314
Foreclosed real estate.....	916	1,242	788	835	543
Repossessed automobiles.....	--	--	506	--	--
Total nonperforming assets.....	\$ 14,125	\$ 6,232	\$ 5,197	\$ 6,373	\$ 3,857
Total nonperforming loans and leases to total loans.....	1.55%	0.97%	1.83%	3.75%	3.68%
Total nonperforming assets to total assets.....	1.39%	1.03%	1.89%	3.42%	3.40%
Ratio of allowance for loan and valuation losses to total non-performing loans and leases.....	28.09%	35.19%	26.62%	17.03%	21.97%
Interest income on nonperforming loans and leases not included in interest income.....	\$ 524	\$ 89	\$ 120	\$ 156	\$ 140

</TABLE>

As of December 31, 1998, the Company had approximately \$90,000 of non-government accruing loans that were contractually past due 90 days or more. Beginning in 1996, the Company began to accrue interest for government-sponsored loans such as FHA insured and VA guaranteed loans which are past due 90 or more days, as the interest on these loans is insured by the federal government. The aggregate unpaid principal balance of government-sponsored accruing loans that were past due 90 or more days was \$165.7 million and \$18.7 million as of December 31, 1998 and 1997, respectively. A significant portion of these loans are serviced by a third party who is required to remit monthly interest regardless of whether it is collected. The higher levels of nonaccrual mortgage loans as a percentage of total loans during 1995 and 1994 were primarily attributable to purchases by Matrix Bank of bulk residential loan portfolios in those years. Decreases in the nonaccrual mortgage loans at December 31, 1998, 1997 and 1996 are attributable to the improvement of the loans that had past delinquency problems and the credit quality of the loan portfolios the Company acquired in 1998, 1997 and 1996. In the past three years, Matrix Bank acquired loans with fewer delinquency problems and/or document deficiencies, which also resulted in a decrease in the nonaccrual loans as a percentage of total loans.

The increase in nonaccrual commercial loans and direct financing leases in 1998 is the result of the Company's origination of tax-exempt lease financing for charter schools for the purchase of real estate and equipment. Several of the charter schools for which the Company has provided financing have encountered enrollment and/or state funding problems which has caused them to become delinquent on their lease obligations to the Company.

The increase in the nonaccrual consumer loans in 1996 is a result of sub-prime auto loans that the Company repurchased pursuant to limited representations and warranties included in loan sale agreements. The Company had a separate reserve of \$600,000 included in other liabilities for anticipated losses relating to the repurchased sub-prime auto loans at December 31, 1996. Included in repossessed assets for 1996 is \$506,000 of automobiles that the Company was required to repurchase pursuant to the same limited representations and warranties. The balance of the loans and automobiles repurchased in 1996 and 1997 were either disposed of or sold to a third party investor in December 1997. The Company does not anticipate that it will originate any additional sub-prime automobile contracts.

The prior delinquency and anticipated future delinquencies are taken into consideration in the pricing of the loans acquired. The Company generally purchases such loans at discounts and, in some instances, receives recourse or credit enhancement from the seller to further reduce the Company's risk of loss associated with the loans' nonaccrual status. At December 31, 1998, \$8.0 million, or 60.6%, of the nonaccrual loans were loans that were residential loans purchased in bulk loan portfolios and remain classified as "held for sale." Total loans held for sale at December 31, 1998, were \$754.2 million, of which \$12.8 million, or 1.7%, were nonaccrual loans. However, against the \$754.2 million of total loans held for sale, the Company has \$3.7 million of purchase discounts.

The percentage of the allowance for loan and valuation losses to nonaccrual loans varies widely due to the nature of the Company's portfolio of mortgage loans, which are collateralized primarily by residential real estate. The

Company analyzes the collateral for each nonperforming mortgage loan to determine potential loss exposure. In conjunction with other factors, this loss exposure contributes to the overall assessment of the adequacy of the allowance for loan and valuation losses. See "--Comparison of Results of Operations for Fiscal Years 1998 and 1997."

Analysis of Allowance for Loan and Valuation Losses. The following table sets forth information regarding changes in the Company's allowance for loan and valuation losses for the periods indicated. The table includes the allowance for both loans held for investment and loans held for sale.

<TABLE>
<CAPTION>

As of December 31,

	1998	1997	1996	1995	1994
(Dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>
Balance at beginning of period.....	\$ 1,756	\$ 1,039	\$ 943	\$ 728	\$ 538
Charge-offs:					
Real estate-mortgage.....	1,922	22	64	198	26
Real estate-construction.....	--	--	--	35	--
Direct financing leases.....	--	--	--	--	--
Consumer.....	789	166	6	7	--
Total charge-offs.....	2,711	188	70	240	26
Recoveries:					
Real estate-mortgage.....	2	--	8	5	--
Consumer.....	56	31	15	49	--
Total recoveries.....	58	31	23	54	--
Net charge-offs.....	2,653	157	47	186	26
Provision for loan losses charged to operations....	4,607	874	143	401	216
Balance at end of period.....	\$ 3,710	\$ 1,756	\$ 1,039	\$ 943	\$ 728
Ratio of net charge-offs to average loans.....	0.38%	0.04%	0.03%	0.15%	0.03%
Average loans outstanding during the period.....	\$692,443	\$355,848	\$162,648	\$121,206	\$79,393

</TABLE>

A majority of the increase in real estate-mortgage charge-offs for 1998 as compared to 1997 is due to the loss recognized related to MCA. See "--Comparison of Results of Operations for Fiscal Years 1998 and 1997--Net Income; Return on Average Equity" for additional information. Additionally, the increase in consumer charge-offs in 1998 pertains to losses experienced on the Company's credit card portfolio, which accounts for less than 1% of the Company's total loan portfolio as of December 31, 1998.

The allowance for loan and valuation losses is increased by the provision for loan and valuation losses (which is charged to operations) for particular loans where management considers ultimate collection to be questionable; all other loans are evaluated by the Company as part of their respective categories, and not on an individual basis. Each category of loans in the loan portfolio is assigned a loss factor based on the assessed risk inherent in each loan category, certain qualitative evaluations of individual classified assets, trends in the portfolio, geographic and portfolio concentrations, new products or markets, evaluations of the changes in the historical loss experience component and projections of this component into the current and future periods based on current knowledge and conditions. These loss factors range from 0.10% for FHA/VA loans guaranteed by HUD to 8.00% for credit card loans. Additionally substandard and doubtful loans of homogeneous loan portfolios are assigned loss factors of 5.00% and 50.00%, respectively. The Company had no impaired loans as of December 31, 1998, 1997, 1996, 1995 and 1994. The loss factors are applied to the outstanding principal balance of loans in their respective categories, and the total for all categories determines the Company's allowance for loan and valuation losses, except for direct financing leases, for which the allowance is determined based on specific loans.

<TABLE>
<CAPTION>

As of December 31,

	1998		1997		1996		1995	
	Amount	Percentage of Loans to Total loans	Amount	Percentage of Loans to Total loans	Amount	Percentage of Loans to Total loans	Amount	Percentage of Loans to Total loans
1998								
1997								
1996								
1995								

<S>	<C>		<C>		(Dollars in thousands)		<C>		<C>	
					<C>	<C>				
Residential.....	\$2,372	85.96%	\$1,234	90.15%	\$ 911	90.03%	\$830	92.64%		
Multi-family, commercial real estate and commercial.....	137	6.18	91	5.75	51	7.19	78	5.11		
Direct financing leases.....	275	2.87	--	0.53	--	--	--	--		
Construction.....	72	3.24	23	1.48	6	0.50	1	0.05		
Consumer.....	854	1.75	408	2.09	71	2.28	34	2.20		
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	\$3,710	100.00%	\$1,756	100.00%	\$1,039	100.00%	\$943	100.00%		
	=====	=====	=====	=====	=====	=====	=====	=====		

<CAPTION>

1994		

	Amount	Percentage of Loans to Total loans

<S>	<C>	<C>
Residential.....	\$635	88.83%
Multi-family, commercial real estate and commercial.....	69	8.35
Direct financing leases.....	--	--
Construction.....	1	0.12
Consumer.....	23	2.70
	-----	-----
	\$728	100.00%
	=====	=====

</TABLE>

The ratio of the allowance for loan and valuation losses to total loans was 0.44%, 0.34%, 0.49%, 0.64% and 0.81% at December 31, 1998, 1997, 1996, 1995 and 1994, respectively. The allowance for loan and valuation losses is reduced by loans charged off, net of recoveries. The allowance for loan and valuation losses allocated to residential, multi-family, commercial real estate and commercial and construction loans has increased mainly due to the increased outstanding loan principal balances in these loan categories and not due to any increase in the perceived risk or losses experienced in these categories. The Company did not assign any of the allowance for loan and valuation losses to direct financing leases in 1997, as the Company originated the \$2.7 million of outstanding direct financing leases in the last month of the year and management felt that it was not necessary due to the immaterial amount of leases relative to the total loan portfolio, as well as payments under the direct financing leases were not due until 1998, and as such, the leases could not have been delinquent at December 31, 1997. This increase in the allowance for loan and valuation losses in 1998 reflects the growth of the direct financing leases during 1998 and the nonaccrual status of a small portion of this portfolio at December 31, 1998. Additionally, the increase in the allowance for loan and valuation losses for consumer loans in 1998 primarily reflects the Company's increase in its loss factor for credit card loans from 4.00% to 8.00% during 1998, due to the increased losses experienced in the portfolio.

Risk Sensitive Assets and Liabilities. As discussed in "Asset and Liability Management -- General" a significant portion of the Company's earnings and ultimate success is partially dependent upon its ability to manage interest rate risk. Interest rate risk can be defined as the exposure of the Company's net interest income to adverse movements in interest rates. Although the Company manages other risks, such as credit, operational and liquidity risk, in the normal course of business, management considers interest rate risk to be a significant market risk which could potentially have the largest material effect on the Company's financial condition and results of operations. The majority of the Company's market risk related to interest rates exists within the operations of Matrix Bank. However, Matrix Financial also has interest rate risk related to its primary asset, MSRs, and also related to the net interest income earned on its originated loans that are funded through warehouse lines of credit. The susceptibility to movements in interest rates affects the cash flows generated from the MSRs which are recorded in other income versus interest income. In a decreasing interest rate environment, the underlying servicing portfolio tends to prepay faster which reduces future servicing income; while in an increasing interest rate environment, prepayments tend to decrease, which increases expected future servicing income. As it relates to Matrix Financial's lending activities, Matrix Financial originates residential mortgage loans, which are generally pre-sold. However, between the time that the loan is originated and sold to the ultimate investor, Matrix Financial earns interest income. The loans are funded through the use of warehouse credit facilities that are generally priced based on short-term interest rates. Therefore, the net interest income that is earned by Matrix Financial is generally dependent on the spread between long-term mortgage rates and short-term interest rates.

The Company currently does not maintain a trading portfolio. As a result,

the Company is not exposed to market risk as it relates to trading activities. The majority of the Company's residential loan portfolio is held for sale which requires the Company to perform quarterly market valuations of the portfolio in order to properly record the portfolio at the lower of cost or market. Therefore, the Company continually monitors the interest rates of its loan portfolio as compared to prevalent interest rates in the market.

Interest rate risk management at Matrix Bank is the responsibility of the Asset and Liability Committee ("ALCO" or the "Committee"), which reports to the Board of Directors of Matrix Bank. ALCO establishes policies that monitor and coordinate the Company's sources, uses and pricing of its funds. The Committee is also involved in formulating the Company's budget and strategic plan as it relates to investment objectives. Due to the historical size of Matrix Bank's loan portfolio and the high degree of purchase and sale activity, ALCO has relied on the OTS interest rate risk exposure report to assist in the overall monitoring of Matrix Bank's interest rate sensitivity. Based on the information and assumptions used in the OTS exposure report as of December 31, 1998, management believes that a 200 basis point shock over a twelve month period, up or down would not significantly affect Matrix Bank's annualized net interest income. As Matrix Bank continues to grow, management anticipates having to use an asset/liability software package to monitor and manage Matrix Bank's interest rate risk on a more timely basis.

The Company continues to attempt to reduce the volatility in net interest income by managing the relationship of interest rate sensitive assets to interest rate sensitive liabilities. To accomplish this (see "Asset and Liability Management General" for additional discussion on strategies), management focuses on acquiring adjustable rate residential mortgages and has increased its efforts regarding the origination of residential construction loans, commercial real estate loans and limited consumer lending which reprice or mature more quickly than fixed rate residential real estate loans. In 1998, the Company increased its investment in non-performing FHA and VA loans, which are fixed rate loans that have a significantly shorter life than newly originated loans. The other significant asset that the Company invests in is MSRs. The value and cash flows from MSRs respond counter-cyclically to the value of fixed rate mortgages. When interest rates increase and the value of fixed rate mortgages decrease (in turn decreasing net interest income) the value of the MSRs increase. In a decreasing interest rate environment, the inverse occurs. Another significant strategy that the Company focuses on in managing interest rate risk is

33

identifying lines of business that generate noninterest rate sensitive liabilities. Examples of this strategy are the investment in MSRs, which generate no cost escrow deposits and Sterling Trust's operations, which administer deposits with relatively low costs.

In the ordinary course of business, the Company makes commitments to originate residential mortgage loans and holds originated loans until delivery to an investor. Inherent in this business are risks associated with changes in interest rates and the resulting change in the market value of the pipeline loans. The Company mitigates this risk through the use of mandatory and nonmandatory forward commitments to sell loans. As of December 31, 1998, the Company had \$133.7 million in pipeline and funded loans offset with mandatory forward commitments of \$110.0 million and nonmandatory forward commitments of \$10.1 million. The inherent value of the forward commitments is considered in the determination of the lower of cost or market for such loans.

Ownership of MSRs exposes the Company to impairment of their value in certain interest rate environments. The incidence of prepayment of a mortgage loan increases during periods of declining interest rates as the homeowner seeks to refinance the loan to a lower interest rate. If the level of prepayment on segments of the Company's mortgage servicing portfolio achieves a level higher than projected by the Company for an extended period of time, then an impairment in the associated basis in the MSRs may occur. To mitigate this risk of impairment due to declining interest rates, the Company hedged a segment of its portfolio beginning in September 1997. As of December 31, 1998 and 1997, the Company had identified and hedged \$674 million and \$306 million, respectively, of its mortgage servicing portfolio using a program of exchange-traded futures and options. See Note 13 to the Consolidated Financial Statements included elsewhere herein.

The following tables represent, in tabular form, contractual balances of the Company's on balance sheet financial instruments in dollars at the expected maturity dates, as well as the fair value of those on balance sheet financial instruments for the periods ended December 31, 1998 and 1997. The expected maturity categories take into consideration historical and anticipated prepayment speeds, as well as actual amortization of principal and does not take into consideration the reinvestment of cash. The Company's assets and liabilities that do not have a stated maturity date, such as interest-earning deposits, FHLB stock and certain other deposits, are considered to be long term in nature by the Company and are reported in the thereafter column. The Company has made the assumption that the portfolio of loans held for sale will mature in

the first year. The Company is very active in the secondary market as it relates to the purchase and sale of mortgage loans. The total amount of loans sold in 1998 and 1997 approximated 70% and 108%, respectively, of the total held for sale portfolio at December 31, 1997 and 1996. This proves the Company's intent to sell the loans classified as held for sale and the one-year maturity assumption is supported. The Company also treats the FHLB and revolving borrowings as long term in nature, as the continued availability of these amounts is anticipated indefinitely. Third party servicers service a portion of the Company's loan portfolio; as a result, a portion of the information presented is based on the best available information.

For the most part, the carrying amounts of interest-earning deposits, FHLB stock, FHLB borrowings and borrowed money approximate those assets' and liabilities' fair values. The fair values of the loan portfolios for held for sale and held for investment are based on quoted market prices or outstanding commitments from investors. If quoted market prices are not available, fair values are based on quoted market prices of similar loans sold in securitization transactions, adjusted for differences in loan characteristics. The fair values of forward sale commitments are included in the determination of the fair value of loans held for sale. The fair values of demand deposits are, by definition, equal to the amount payable upon demand at the reporting date. The fair value of time deposits are based upon the discounted value of contractual cash flows, which is estimated using interest rates currently being offered on certificates to a schedule of aggregated expected periodic maturities on time deposits.

MSRs are not included in the tabular presentation, as the investment does not directly affect interest income. As noted, however, earnings from MSRs directly correlate with market risk as it relates to interest rate fluctuations. The Company mitigates this risk through both the type of MSRs acquired and hedging of MSRs. The loans underlying the servicing acquired tend to be more seasoned and have lower principal balances. Management believes that the more seasoned, lower balance servicing portfolios carry less prepayment risk than less seasoned, higher balance mortgage servicing, because the cost savings of refinancing a lower balance loan tend to be less than for a higher balance loan with a comparable interest rate. It is also believed that if a loan has been outstanding for a period of time and has been through several declining interest rate cycles without refinancing, the risk of prepayment in the future is less than a newly originated loan. Although significantly increased in 1998, the prepayment percentages which the Company has experienced over the past three years have been lower than experienced in the industry, as a whole. The prepayment speeds for the years ended December 31, 1998, 1997 and 1996 were 22.6%, 11.3% and 11.9%, respectively, during a primarily decreasing interest rate environment. In the 1998 table below, prepayment speeds of 24% and 12% were used for residential and non-residential loans, respectively, to project expected cash flows relating to loans held for investment and in the 1997 table below, prepayment speeds of 12% were used for all loan types. These assumptions are based on the Company's historical prepayment speeds, as well as our knowledge and experience in the market.

The Company's on balance sheet financial instruments for the period ended December 31, 1998 were:

<TABLE>
<CAPTION>

	Expected Maturity Date - Fiscal Year Ended December 31,							Total	Fair Value
	1999	2000	2001	2002	2003	There- after			
	(Dollars in thousands)								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
Interest-earning assets:									
Held for sale / (1) (2) /:									
Fixed-rate residential loans.....	\$376,168	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$376,168	\$378,274
Average interest rate.....	8.29%	--%	--%	--%	--%	--%	--%	8.29%	
Adjustable-rate residential loans.....	\$347,790	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$347,790	\$349,737
Average interest rate.....	7.90%	--%	--%	--%	--%	--%	--%	7.90%	
Fixed-rate commercial loans and leases.....	\$ 30,268	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 30,268	\$ 30,268
Average interest rate.....	12.06%	--%	--%	--%	--%	--%	--%	12.06%	
Held for investment/(2) /:									
Fixed-rate residential loans.....	\$ 541	\$ 399	\$ 293	\$ 215	\$ 156	\$ 351	\$ 1,955	\$ 1,769	
Average interest rate/(3) /.....	9.45%	9.45%	9.45%	9.45%	9.45%	9.45%	9.45%	9.45%	
Adjustable-rate residential loans/(4) /.....	\$ 995	\$ 747	\$ 559	\$ 419	\$ 314	\$ 887	\$ 3,921	\$ 3,548	
Average interest rate/(3) /.....	7.94%	7.94%	7.94%	7.94%	7.94%	7.94%	7.94%	7.94%	
Fixed-rate consumer loans.....	\$ 3,272	\$ 2,830	\$ 2,441	\$ --	\$ --	\$ --	\$ 8,543	\$ 9,149	
Average interest rate/(3) /.....	11.11%	11.11%	11.11%	--%	--%	--%	11.11%		
Adjustable-rate consumer loans/(4) /...	\$ 111	\$ 95	\$ 82	\$ 71	\$ 61	\$ 164	\$ 584	\$ 626	
Average interest rate/(3) /.....	8.38%	8.38%	8.38%	8.38%	8.38%	8.38%	8.38%	8.38%	
Fixed-rate other loans/(5) /.....	\$ 8,929	\$ 7,674	\$ 6,576	\$ 5,617	\$ 4,778	\$ --	\$ 33,574	\$ 33,644	
Average interest rate/(3) /.....	9.37%	9.37%	9.37%	9.37%	9.37%	--%	9.37%		

Adjustable-rate other loans/(4)(5)/...	\$ 12,197	\$10,456	\$ 8,935	\$ 7,607	\$ 6,450	\$ --	\$ 45,645	\$ 45,740
Average interest rate/(3)/.....	8.94%	8.94%	8.94%	8.94%	8.94%	--%	8.94%	
Interest-earning deposits.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 8,120	\$ 8,120	\$ 8,120
Average interest rate.....	--%	--%	--%	--%	--%	4.40%	4.40%	
FHLB stock.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 15,643	\$ 15,643	\$ 15,643
Average interest rate.....	--%	--%	--%	--%	--%	5.75%	5.75%	
Total interest-earning assets.....	\$780,271	\$22,201	\$18,886	\$13,929	\$11,759	\$ 25,165	\$872,211	\$876,518
Interest-bearing liabilities:								
Passbook accounts.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 2,830	\$ 2,830	\$ 2,830
Average interest rate.....	--%	--%	--%	--%	--%	3.44%	3.44%	
NOW accounts/(6)/.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 19,506	\$ 19,506	\$ 19,506
Average interest rate.....	--%	--%	--%	--%	--%	2.72%	2.72%	
Money market accounts.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$170,957	\$170,957	\$170,957
Average interest rate.....	--%	--%	--%	--%	--%	3.42%	3.42%	
Certificates of deposit over \$100,000..	\$ 7,999	\$ 636	\$ 322	\$ 646	\$ 661	\$ --	\$ 10,264	\$ 10,383
Average interest rate.....	5.57%	6.33%	6.22%	6.44%	5.89%	--%	5.71%	
Brokered certificates of deposit.....	\$148,676	\$ --	\$ --	\$ --	\$ --	\$ --	\$148,676	\$148,907
Average interest rate.....	4.92%	--%	--%	--%	--%	--%	4.92%	
Other certificates of deposit.....	\$ 84,776	\$14,037	\$ 5,652	\$ 6,126	\$ 5,020	\$ --	\$115,611	\$116,748
Average interest rate.....	5.54%	5.73%	5.87%	6.35%	5.76%	--%	5.63%	
FHLB borrowings/(7)/.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$168,000	\$168,000	\$171,544
Average interest rate.....	--%	--%	--%	--%	--%	4.90%	4.90%	
Revolving borrowings.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$116,845	\$116,845	\$116,845
Average interest rate.....	--%	--%	--%	--%	--%	6.60%	6.60%	
Term borrowings.....	\$ 9,737	\$ 8,625	\$12,223	\$ 4,997	\$ 4,959	\$ 21,403	\$ 61,944	\$ 61,944
Average interest rate.....	7.73%	7.48%	7.62%	7.77%	6.71%	11.17%	8.78%	
Total interest-bearing liabilities....	\$251,188	\$23,298	\$18,197	\$11,769	\$10,640	\$499,541	\$814,633	\$819,664

</TABLE>

- (1) Loans held for sale are assumed to mature within one year, as the intent is to sell the loans.
- (2) Balances are stated net of discounts and other deductions.
- (3) For the fixed-rate loans held for investment, the Company computed a weighted average interest rate and a weighted average maturity for the loan portfolio and then applied a prepayment assumption of 24% to residential loans and 12% to non-residential loans in determining the cash flows. The same approach was used for the adjustable-rate loans, which are generally fully indexed loans.
- (4) The adjustable-rate loans generally are indexed to the 1-year treasury. However, included in the balance are loans indexed to 11/th/ district cost of funds, prime and 3,5 and 7-year treasury.
- (5) Other consists of multi-family, commercial real estate, commercial, land and construction loans.
- (6) Excludes noninterest-bearing demand deposits of approximately \$22.7 million.
- (7) See "--Short-term Borrowings" for additional discussion on the term of the FHLB borrowings.

35

The Company's on balance sheet financial instruments for the period ended December 31, 1997 were:

<TABLE>
<CAPTION>

	Expected Maturity Date-Fiscal Year Ended December 31,							Fair Value
	1998	1999	2000	2001	2002	There-after	Total	
	(Dollars in thousands)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-earning assets:								
Held for sale / (1) (2) /:								
Fixed-rate residential loans.....	\$201,081	\$ --	\$ --	\$ --	\$ --	\$ --	\$201,081	\$202,073
Average interest rate.....	9.09%	--%	--%	--%	--%	--%	9.09%	
Adjustable-rate residential loans.	\$255,897	\$ --	\$ --	\$ --	\$ --	\$ --	\$255,897	\$257,159
Average interest rate.....	8.03%	--%	--%	--%	--%	--%	8.03%	
Held for investment / (2) /:								
Fixed-rate residential loans.....	\$ 562	\$ 490	\$ 427	\$ 371	\$ 323	\$ 1,416	\$ 3,589	\$ 3,685
Average interest rate/(3)/....	9.66%	9.66%	9.66%	9.66%	9.66%	9.66%	9.66%	
Adjustable-rate residential loans/(4)/.....	\$ 505	\$ 441	\$ 385	\$ 336	\$ 293	\$ 1,679	\$ 3,639	\$ 3,736
Average interest rate/(3)/....	8.18%	8.18%	8.18%	8.18%	8.18%	8.18%	8.18%	
Fixed-rate consumer loans.....	\$ 3,815	\$ 3,376	\$ 2,989	\$ --	\$ --	\$ --	\$ 10,180	\$ 10,388
Average interest rate/(3)/....	14.44%	14.44%	14.44%	--%	--%	--%	14.44%	
Adjustable-rate consumer								

loans/(4)/.....	\$ 69	\$ 60	\$ 52	\$ 45	\$ 39	\$ 169	\$ 434	\$ 443
Average interest rate/(3)/....	8.38%	8.38%	8.38%	8.38%	8.38%	8.38%	8.38%	8.38%
Fixed-rate other loans/(5)/.....	\$ 9,994	\$ 8,532	\$ --	\$ --	\$ --	\$ --	\$ 18,526	\$ 18,613
Average interest rate/(3)/....	9.79%	9.79%	--%	--%	--%	--%	9.79%	
Adjustable-rate other								
loans/(4) (5)/.....	\$ 2,843	\$ 2,476	\$ 2,153	\$ 1,871	\$ 1,623	\$ 7,060	\$ 18,026	\$ 18,110
Average interest rate/(3)/....	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%
Interest-earning deposits.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 6,337	\$ 6,337	\$ 6,337
Average interest rate.....	--%	--%	--%	--%	--%	5.91%	5.91%	5.91%
FHLB stock.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 8,700	\$ 8,700	\$ 8,700
Average interest rate.....	--%	--%	--%	--%	--%	6.00%	6.00%	6.00%
Total interest-earning assets.	\$474,766	\$15,375	\$ 6,006	\$ 2,623	\$ 2,278	\$ 25,361	\$526,409	\$529,244
Interest-bearing liabilities:								
Passbook accounts.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 2,851	\$ 2,851	\$ 2,851
Average interest rate.....	--%	--%	--%	--%	--%	3.97%	3.97%	3.97%
NOW accounts/(6)/.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 14,669	\$ 14,669	\$ 14,669
Average interest rate.....	--%	--%	--%	--%	--%	2.92%	2.92%	2.92%
Money market accounts.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 99,899	\$ 99,899	\$ 99,899
Average interest rate.....	--%	--%	--%	--%	--%	2.96%	2.96%	2.96%
Certificates of deposit over								
\$100,000.....	\$ 4,900	\$ 1,030	\$ 414	\$ 207	\$ 634	\$ --	\$ 7,185	\$ 7,258
Average interest rate.....	5.91%	6.06%	6.73%	6.15%	6.44%	--%	6.03%	6.03%
Other certificates of deposit.....	\$ 63,692	\$13,442	\$ 2,984	\$ 2,453	\$ 6,094	\$ --	\$ 88,665	\$ 89,389
Average interest rate.....	5.88%	6.01%	6.24%	6.30%	6.34%	--%	5.96%	5.96%
FHLB borrowings.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$171,943	\$171,943	\$171,943
Average interest rate.....	--%	--%	--%	--%	--%	6.37%	6.37%	6.37%
Revolving borrowings.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 48,338	\$ 48,338	\$ 48,338
Average interest rate.....	--%	--%	--%	--%	--%	7.07%	7.07%	7.07%
Term borrowings.....	\$ 4,928	\$ 4,438	\$ 5,373	\$ 3,546	\$ 1,699	\$ 21,587	\$ 41,571	\$ 41,571
Average interest rate.....	8.57%	8.97%	8.89%	9.14%	10.34%	11.15%	10.11%	10.11%
Total interest-bearing liabilities.....	\$ 73,520	\$18,910	\$ 8,771	\$ 6,206	\$ 8,427	\$359,287	\$475,121	\$475,918

</TABLE>

- (1) Loans held for sale are assumed to mature within one year, as the intent is to sell the loans.
- (2) Balances are stated net of discounts and other deductions.
- (3) For the fixed rate loans held for investment, the Company computed a weighted average interest rate and a weighted average maturity for the loan portfolio and then applied a prepayment assumption of 12% in determining the cash flows. The same approach was used for the adjustable-rate loans, which are generally fully indexed loans.
- (4) The adjustable-rate loans generally are indexed to the 1-year treasury. However, included in the balance are loans indexed to 11th district cost of funds, prime and 3,5 and 7-year treasury.
- (5) Other consists of multi-family, commercial real estate, commercial, land and construction loans.
- (6) Excludes noninterest-bearing demand deposits of approximately \$9.2 million.

Short-term Borrowings. A primary function of asset and liability management is to ensure adequate liquidity. In addition to cash and cash equivalents, the Company relies heavily on short-term borrowing capabilities for liquidity and as a funding vehicle. The primary sources for short-term borrowings are the FHLB for Matrix Bank and unaffiliated financial institutions for Matrix Financial. See "Liquidity and Capital Resources."

36

The following table sets forth a summary of the short-term borrowings of the Company during 1998, 1997 and 1996 and as of the end of each such period:

	Amount outstanding at year end -----	Average amount outstanding during the year(1) -----	Maximum outstanding at any month end -----	Weighted average interest rate during the year -----	Weighted average interest rate at year end -----
<S>	<C>	<C>	<C>	<C>	<C>
(Dollars in thousands)					
At or for the year ended December 31, 1996:					
FHLB borrowings.....	\$ 51,250	\$ 35,838	\$ 53,650	5.69%	5.84%
Revolving lines of credit.....	31,504	35,489	60,804	7.17	6.50
Repurchase agreements.....	--	991	4,962	12.58	--
At or for the year ended December 31, 1997:					
FHLB borrowings.....	171,943	59,984	171,943	5.73	6.37
Revolving lines of credit.....	48,338	43,762	57,710	6.99	7.07
Repurchase agreements.....	--	1,564	3,437	11.26	--
At or for the year ended December 31, 1998:					
FHLB borrowings (2).....	168,000	159,381	271,000	5.37	4.90
Revolving lines of credit.....	86,936	74,973	92,507	6.55	6.23

Repurchase agreements.....	7,350	1,445	7,350	9.06	9.02
Lease financing.....	22,559	9,304	22,559	7.32	7.27

</TABLE>

- (1) Calculations are based on daily averages where available and monthly averages otherwise.
- (2) \$47.0 million of the FHLB borrowings outstanding at December 31, 1998, were borrowed under a Short Option Advance ("SOA") Agreement with the FHLB. These SOA borrowings have a term of ten years, but are callable by the FHLB beginning after a six month or one year lock-out period depending on the particular SOA borrowing. After the expiration of the lock-out period, the SOA borrowings are callable at three month intervals. If the FHLB exercises its call option on a SOA borrowing, the FHLB is required to offer replacement funding to the Company at a market rate of interest for the remaining term of the SOA borrowing. The interest rates on the SOA borrowings ranged from 4.85% to 4.94% at December 31, 1998 and their possible call dates varied from January 15, 1999 to April 14, 1999. Additionally, under the terms of the SOA Agreement, the Company is not permitted to prepay or otherwise retire a callable SOA borrowing prior to the final maturity date.

Liquidity and Capital Resources

Liquidity is the ability of the Company to generate funds to support asset growth, satisfy disbursement needs, maintain reserve requirements and otherwise operate on an ongoing basis. To date, Matrix Bancorp's principal source of funding for its investing activities has been secured senior debt provided by unaffiliated financial institutions, the issuance of 11.5% Senior Notes (the "11.5% Senior Notes") in September 1997, the issuance of Senior Subordinated Notes (the "Senior Subordinated Notes") in August 1995, a bank stock loan and the Company's initial public offering. As of December 31, 1998, Matrix Bancorp had \$42.3 million in indebtedness outstanding. The borrowed funds have been used historically as capital injections to Matrix Bank and Matrix Financial, as well as to acquire the office building in Phoenix where Matrix Financial maintains its headquarters. See "Properties."

On June 29, 1998, the Company amended its bank stock loan and increased the credit available under the loan by an additional \$12.0 million. The amended bank stock loan has two components, an \$8.5 million term loan and a revolving line of credit of \$11.5 million. As of December 31, 1998, the balance of the term loan and the revolving line of credit were \$7.9 million and \$10.3 million, respectively. One year from the date of the amendment, the balance of the revolving line of credit will be converted to a term loan. The additional proceeds from the loan will be used primarily as capital at Matrix Bank. The amended bank stock loan requires the Company to maintain (i) total shareholders' equity of the greater of \$40.0 million or 90% of actual net worth at the end of the most recent fiscal year, plus 50% of cumulative net income after the end of the most recent fiscal year, plus 90% of all contributions made to stockholders' equity after the closing date, and (ii) total adjusted debt to net worth less than 4:1. Additionally, the amended bank stock loan does not permit Matrix Bancorp to declare or pay any dividends.

On September 29, 1997, the Company completed a registered debt offering of \$20.0 million in Senior Notes due 2004, raising net proceeds of approximately \$19.1 million. Interest on the Senior Notes of 11.5% is payable semi-annually on March 31 and September 30 of each year, commencing on March 31, 1998, with a balloon payment for the entire principal balance due in September 2004. The 11.5% Senior Notes require the Company to (i) maintain consolidated tangible equity capital of not less than \$35 million and (ii) meet the requirements necessary such that Matrix Bank will not be classified as other than "well capitalized" as defined by 12 C.F.R. Section 565.4. Additionally, the 11.5% Senior Notes contain other covenants regarding certain restricted payments, incurrence of indebtedness and issuance of preferred stock, liens, merger, consolidation or sale of assets and transactions with affiliates. Under the conditions of the 11.5% Senior Notes, the Company may not incur

any additional indebtedness if the consolidated leverage ratio exceeds 2:1 and Matrix Bancorp may not declare or pay cash dividends unless, at the time of and after giving effect to such dividend, (1) no default shall have occurred and be continuing or would occur as a consequence thereof, (2) Matrix Bancorp would (after giving effect to the payment of such dividend) be permitted to incur at least \$1.00 of additional indebtedness pursuant to the 2:1 consolidated leverage ratio described above, and (3) such dividend, together with the aggregate amount of all restricted payments made, is less than 25% of the aggregate consolidated net income of the Company for the period beginning on October 1, 1997 and ending on the date of the Company's most recent quarter plus 100% of the net cash proceeds received by Matrix Bancorp from the issuance of equity interests. As of December 31, 1998, under the foregoing test, Matrix Bancorp would be entitled to declare and pay dividends of approximately \$640,000, although it has no present intent to do so, as distributions are not permitted under the Company's bank stock loan.

In August 1995, the Company issued \$2.9 million in aggregate principal amount of Senior Subordinated Notes. Interest on the Senior Subordinated Notes is payable semi-annually on January 15 and July 15, and the Senior Subordinated Notes mature on July 15, 2002, with earlier mandatory redemptions of \$727,500, or 25% of the Senior Subordinated Notes, scheduled on July 15, 1999, 2000 and 2001, respectively. The Company is restricted from paying cash dividends under the Senior Subordinated Notes. However, the Company may pay cash dividends in an amount equal to 50% of the consolidated net income of the Company as long as there has been no default under the terms of the Senior Subordinated Notes and as long as the dividend does not exceed 10% of the consolidated net worth of the Company. The Company may redeem the Senior Subordinated Notes, in whole or in part, at any time on or after July 15, 1998; at a redemption price equal to (i) 102% of par through July 14, 1999 and, thereafter, at par, plus (ii) all accrued but unpaid interest. Until February 1997, the Senior Subordinated Notes bore interest at 13% per annum. In February 1997, the rate increased to 14% per annum.

The trend of net cash used by the Company's operating activities experienced over the reported periods results primarily from the growth that Matrix Bank has experienced in its residential loan purchasing activity. The Company anticipates the trend of a net use of cash from operations to continue for the foreseeable future. This anticipation results from the expected growth at Matrix Bank, which management believes will consist primarily of increased activity in the purchasing of loan and mortgage servicing portfolios. The Company anticipates such growth will be funded through retail deposits, brokered deposits, custodial escrow deposits, directed trust deposits, FHLB borrowings, and possibly, new offerings.

Matrix Bank's primary source of funds for use in lending, purchasing bulk loan portfolios, investing and other general purposes are retail deposits, trust deposits, custodial escrow balances, brokered deposits, FHLB borrowings, sales of loan portfolios and proceeds from principal and interest payments on loans. Contractual loan payments and deposit inflows and outflows are a generally predictable source of funds, while loan prepayments and loan sales are significantly influenced by general market interest rates and economic conditions. Borrowings on a short-term basis are used as a cash management vehicle to compensate for seasonal or other reductions in normal sources of funds. Matrix Bank utilizes advances from the FHLB as its primary source for borrowings. At December 31, 1998, Matrix Bank had overnight borrowings from the FHLB of \$168.0 million. The custodial escrow balances held by Matrix Bank fluctuate based upon the mix and size of the related mortgage servicing rights portfolios and the timing of payments for taxes and insurance. For a tabular presentation of the Company's short-term borrowings, see "Asset and Liability Management--Short-term Borrowings."

Matrix Bank offers a variety of deposit accounts having a range of interest rates and terms. Matrix Bank's retail deposits principally consist of demand deposits and certificates of deposit. The flow of deposits is influenced significantly by general economic conditions, changes in prevailing interest rates and competition. Matrix Bank's retail deposits are obtained primarily from areas in which it is located and, therefore, its retail deposits are concentrated primarily in Las Cruces and Sun City. Matrix Bank relies principally on customer service, marketing programs and its relationships with customers to attract and retain these deposits. Beginning in February 1998, brokered deposits were accepted and have been utilized to support growth at Matrix Bank. In pricing deposit rates, management considers profitability, the matching of term lengths with assets, the attractiveness to customers and rates offered by competitors. Matrix Bank intends to continue its efforts to attract deposits as a primary source of funds to support its lending and investing activities.

In February 1997, Sterling Trust moved approximately \$80.0 million of fiduciary deposits from a third party institution to Matrix Bank. Additionally, pursuant to a termination agreement, Fidelity National Title moved approximately

\$47.1 million of deposits to Matrix Bank during the fourth quarter of 1998. The following table sets forth the average balances for each major category of Matrix Bank's deposit accounts and the weighted-average interest rates paid for interest-bearing deposits for the periods indicated:

<TABLE>
<CAPTION>

Year Ended December 31,					
1998		1997		1996	
Average Balance	Weighted Average Rate	Average Balance	Weighted Average Rate	Average Balance	Weighted Average Rate
<C>	<C>	<C>	<C>	<C>	<C>

(Dollars in thousands)

Passbook accounts.....	\$ 2,859	3.58%	\$ 2,859	3.95%	\$ 2,389	3.45%
NOW accounts.....	17,586	2.97	23,837	3.34	2,813	2.24
Money market accounts.....	124,796	3.13	73,145	3.39	9,151	4.43
Time deposits (except brokered)....	108,107	5.79	83,993	5.94	54,824	5.85
Brokered deposits.....	103,485	5.25	--	--	--	--
	-----	----	-----	----	-----	----
Total deposits.....	\$356,833	4.37%	\$183,834	4.56%	\$69,177	5.43%
	=====	=====	=====	=====	=====	=====

</TABLE>

The following table sets forth the amount of Matrix Bank's certificates of deposit that are greater than \$100,000 by time remaining until maturity as of December 31, 1998:

<TABLE>
<CAPTION>

As of December 31, 1998		
	Amount	Weighted Average Rate Paid
	-----	-----
(Dollars in thousands)		
<S>	<C>	<C>
Three months or less.....	\$ 2,453	5.42%
Over three months through six months.....	2,205	5.66
Over six months through twelve months.....	3,340	5.61
Over twelve months.....	2,266	6.22
	-----	----
Total.....	\$10,264	5.71%
	=====	=====

</TABLE>

The Company actively monitors Matrix Bank's compliance with regulatory capital requirements. Historically, Matrix Bank has increased its core capital through the retention of a portion of its earnings. Matrix Bank's future growth is expected to be achieved through deposit growth, brokered deposits, borrowings from the FHLB and custodial deposits from affiliates. The Company anticipates that such growth will require additional capital. The capital requirements related to the anticipated growth will in part be fulfilled through retention of earnings, potentially increasing the Company's bank stock loan and future possible debt or equity offerings.

The Company's principal source of funding for its servicing acquisition activities consists of a line of credit facility provided to Matrix Financial by an unaffiliated financial institution. As of December 31, 1998, Matrix Financial's servicing acquisition facility aggregated \$45.0 million, of which \$14.1 million was available to be utilized after deducting drawn amounts. Borrowings under the servicing acquisition lines of credit are secured by MSRs owned by Matrix Financial, bear interest at the federal funds rate plus a negotiated margin and are due at the earlier of the maturity of the MSRs or amortized over five to six years from the date of borrowing. At December 31, 1998, \$27.0 million was outstanding under the servicing acquisition line and the interest rate on funds outstanding under this facility at December 1998 was 6.68%.

The Company's principal source of funding for its loan origination business consists of a warehouse line of credit and a sale/repurchase facility provided to Matrix Financial by unaffiliated financial institutions. As of December 31, 1998, Matrix Financial's warehouse line of credit facility aggregated \$90.0 million, of which \$17.8 million was available to be utilized. Effective February 22, 1999, the Company executed an amendment to its warehouse line of credit facility to increase the credit available by an additional \$30.0 million. Additionally, the lead lender for the warehouse line has provided the Company with an overline facility, which provides an additional \$10.0 million in funding capacity. The availability of the overline facility is at the lender's sole discretion. At December 31, 1998, \$72.2 million was outstanding under the warehouse line at a weighted average interest rate of 6.01%. Borrowings under the warehouse line of credit are secured by all of the mortgage loans funded with warehouse loan proceeds and bear interest at the federal funds rate plus a negotiated margin. As of December 31, 1998, Matrix Financial's sale/repurchase facility was \$25.0 million, with \$15.1 million outstanding at a weighted average interest rate of 9.02%. Borrowings under the sale/repurchase facility are secured by all of the mortgage loans and direct financing leases funded with sale/repurchase facility proceeds and bear interest at the higher of the prime rate or the LIBOR rate plus a negotiated margin on the loans and 8.00% on the direct lease financing.

The Company's principal source of funding for the working capital needs of Matrix Financial consists of working capital facilities provided to Matrix Financial by an unaffiliated financial institution. As of December 31, 1998, Matrix Financial's working capital facilities aggregated \$10.0 million, of which

\$5.5 million was available. Borrowings under the working capital facilities are secured by MSRs, eligible servicing advance receivables and eligible delinquent mortgage loans and bear interest at the federal funds rate plus a negotiated margin. At December 31, 1998, \$4.5 million was outstanding under the working capital facilities at an interest rate of 6.18%.

Matrix Bank is restricted from paying dividends to Matrix Bancorp due to certain regulatory requirements. Matrix Financial is restricted from paying dividends to the Company under its Amended and Restated Loan Agreement. Under this loan agreement, Matrix Financial is limited to (1) dividends payable solely in the form of capital stock, (2) cash dividends to Matrix Bancorp in an amount not to exceed 50% of Matrix Financial's net cash income for the current fiscal year so long as no default or potential default exists or would be created by the dividend, or (3) dividends otherwise approved in writing by the agent. At December 31, 1998, the Company was in compliance with all debt covenants. See "Regulation and Supervision."

In June 1996, the Company purchased 154 acres of land for \$1.3 million in cash for the purpose of developing 750 residential and multi-family lots in Ft. Lupton, Colorado. The purchase was completed with operating funds of the Company and a loan from a third party financial institution of \$845,000. As part of the acquisition, the Company entered into a Planned Unit Development Agreement (the "Development Agreement") with the City of Ft. Lupton (the "City"). The Development Agreement is a residential and golf course development agreement providing for the orderly planning, engineering and development of a golf course and surrounding residential community. The City is responsible for the development of the golf course and the Company is responsible for the development of the surrounding residential lots and certain offsite infrastructure (estimated at \$1.3 million). The Development Agreement also provides for the rebate of certain developments fees, infrastructure fees and storm drainage fees from the City to the Company (estimated at \$1.6 million).

The Development Agreement sets forth a mandatory obligation on the part of the Company to secure future payment to the City of pledged golf course enhancement fees of \$600,000. These pledged enhancement fees require successor homebuilders to pay the City a \$2,000 fee with the issuance of each building permit. In the event that less than 30 permits are issued per year, the Company is obligated to pay the balance of \$60,000 in assessment fees per year beginning in the year 1998 through the year 2007. The Company has to date posted a \$300,000 letter of credit to secure those referenced enhancement fees. The Company also entered into a development management agreement with a local developer to complete the development of the land. The terms of the agreement specify that the Company is to earn a preferred rate of return on its investment and, once the initial amount of its investment plus the preferred rate of return have been returned, the remaining profits are split equally. The Company's current investment in the project is \$4.1 million.

It is anticipated that the Company may obtain a loan from an unaffiliated financial institution for a portion of the future development costs, as needed.

Inflation and Changing Prices

The Consolidated Financial Statements and related data presented herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. Unlike most industrial companies, substantially all of the assets and liabilities of the Company are monetary in nature. As a result, interest rates have a more significant impact on the Company's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as prices of goods and services. The Company discloses the estimated fair market value of its financial instruments in accordance with Statement of Financial Accounting Standards No. 107. See Note 15 to the Consolidated Financial Statements included elsewhere herein.

Recent Accounting Pronouncements

During fiscal year 1998, the Company adopted the provisions of two accounting pronouncements: Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income ("FAS 130") and Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information ("FAS 131"). Additionally, in June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("FAS 133"), which is effective for fiscal years beginning after June 15, 1999. Management of the Company plans to adopt FAS 133 with its fiscal year beginning January 1, 2000. It is not currently known what effect the adoption of FAS 133 will have on the Consolidated Financial Statements of the Company.

The following disclosure is a Year 2000 Readiness Disclosure and a Year 2000 Statement, as defined in the Year 2000 Information and Readiness Disclosure Act, which was enacted by Congress and was effective October 19, 1998.

Similar to many other companies, the Company faces the risk of a potentially serious information systems (computer) problem because many software applications and operational programs written in the past may not properly recognize calendar dates beginning in the Year 2000. This problem could result in a system failure or miscalculations causing a disruption of operations. The Company has established Year 2000 project teams, both at the Company and individual Subsidiary levels. The Year 2000 project teams and the Company's overall Year 2000 effort are being overseen by the Company's Year 2000 Director to ensure that consistent procedures and methodologies are being applied across the Subsidiaries in addressing Year 2000 issues.

The Company is subject to Year 2000 risks not only from its own internal data processing systems and software, but also from third party sources providing data and/or services to the Company and from certain significant customers. Additionally, the Company has a limited amount of other non-information systems equipment that relies on date-sensitive information. As such, the Company has established and implemented a Year 2000 Plan that includes the careful evaluation of internal data processing systems and software and incorporates the evaluation of third party sources, significant customers and vendors, and non-information systems equipment for Year 2000 risks.

The Company's Year 2000 Plan consists of the following five separate phases:

- . Awareness - The process of informing all of the Company's employees, vendors, and significant customers about the nature and extent of the Year 2000 problem.
- . Assessment - The process of gathering and analyzing information to determine the size and impact of the Year 2000 problem, the complexity of issues and the level of work and resources necessary to address Year 2000 issues.
- . Renovation - The process of modifying, reengineering, and retiring non-compliant information systems, applications, vendors, third party service providers and non-information systems based on the information learned during the assessment phase.
- . Validation - The process of testing information systems, application, vendors, third party service providers and non-information systems for Year 2000 compliance. This testing phase includes both newly renovated and compliant items.
- . Implementation - The process of implementing all Year 2000 compliant changed, newly acquired or modified information systems, application, vendors, third party service providers and non-information systems. This phase also includes the updating of backup, contingency and disaster recovery plans.

It is anticipated that the above phases of the Year 2000 Plan will progress concurrently. Additionally, the Company does not anticipate that its Subsidiaries will progress at the same rate through the five phases of the Year 2000 Plan due to differences in their systems and the varying levels of complexity associated with those systems.

The Company's computing environment consists largely of personal computers ("PCs") connected to Local Area Network ("LAN") based systems. The exception to this is an in-house Digital VAX mini-computer system used by Sterling Trust. This VAX system houses the Trust Accounting System which is written in the COBOL language. Due to the substantial number of programming changes required, Sterling Trust's Year 2000 focus to date has mainly been on renovating, validating and implementing changes to the Trust Accounting System. Unlike Sterling Trust, processing for many Matrix Bank and Matrix Financial systems are handled by outside service bureaus. Therefore, these Subsidiaries' Year 2000 efforts are more focused on obtaining information on the compliance status of these outside service bureaus and on performing testing procedures to verify their compliance. Matrix Bank's efforts to become Year 2000 compliant are being monitored by the OTS. Failure to become Year 2000 compliant could subject Matrix Bank to formal supervisory or enforcement actions. Matrix Financial plans to participate in the Year 2000 Inter-System Readiness Test sponsored by the Mortgage Bankers Association, which is

currently scheduled to begin during March of 1999. The Year 2000 progress of these three Subsidiaries as of February 28, 1999 is seen in the following tables:

<TABLE>
<CAPTION>

	Awareness	Assessment	Renovation	Validation	Implementation
<S>	<C>	<C>	<C>	<C>	<C>
Information Systems.....	100%	100%	100%	25%	85%
Estimated completion date.....	--	--	--	6/15/99	4/15/99
Non-information systems.....	100%	100%	0%	0%	0%
Estimated completion date.....	--	--	6/15/99	6/15/99	6/15/99
Third parties.....	100%	100%	100%	0%	0%
Estimated completion date.....	--	--	--	6/15/99	6/15/99

Matrix Bank Year 2000 Progress

	Awareness	Assessment	Renovation	Validation	Implementation
<S>	<C>	<C>	<C>	<C>	<C>
Information Systems.....	100%	100%	95%	47%	47%
Estimated completion date.....	--	--	6/30/99	6/30/99	6/30/99
Non-information systems.....	100%	100%	98%	66%	66%
Estimated completion date.....	--	--	6/30/99	6/30/99	6/30/99
Third parties.....	100%	48%	N/A	0%	0%
Estimated completion date.....	--	6/30/99	--	6/30/99	6/30/99

Matrix Financial Year 2000 Progress

	Awareness	Assessment	Renovation	Validation	Implementation
<S>	<C>	<C>	<C>	<C>	<C>
Information Systems.....	96%	60%	57%	54%	54%
Estimated completion date.....	3/31/99	4/30/99	5/31/99	5/31/99	5/31/99
Non-information systems.....	71%	50%	33%	33%	33%
Estimated completion date.....	4/30/99	5/31/99	5/31/99	5/31/99	5/31/99
Third parties.....	90%	90%	90%	90%	90%
Estimated completion date.....	4/30/99	5/31/99	5/31/99	5/31/99	5/31/99

The remaining Companies have more limited exposure risk to the Year 2000 issue. For example, they have fewer mission critical systems, vendors, and customers than the Subsidiaries discussed above. These remaining entities have more limited renovation issues than Sterling Trust, Matrix Bank and Matrix Financial and their validation process is substantially underway. The progress of the remaining Companies is seen in the following table.

<TABLE>
<CAPTION>

Remaining Companies' Year 2000 Progress

	Awareness	Assessment	Renovation	Validation	Implementation
<S>	<C>	<C>	<C>	<C>	<C>
Information Systems.....	100%	75%	75%	50%	75%
Estimated completion date.....	--	4/30/99	5/31/99	6/30/99	6/30/99
Non-information systems.....	100%	75%	50%	70%	70%
Estimated completion date.....	--	4/30/99	5/31/99	6/30/99	6/30/99
Third parties.....	100%	50%	75%	50%	50%
Estimated completion date.....	--	4/30/99	6/30/99	6/30/99	6/30/99

The implementation process is at varying levels of completion across the Company. Included in the implementation phase of the Company's Year 2000 Plan is the development of a contingency plan for the failure of the Company's mission critical systems. Several of the Company's Subsidiaries have completed their contingency plans and it is anticipated that the remainder of the contingency plans will be finished by June 30, 1999. These plans will address issues such as the failure of the Company's third party service providers, the failure of the trust Accounting System, the failure of our telecommunications network, and so on.

Assuming the proper functioning of the Company's telecommunication and utility providers, the failure of which would have a significant impact on the Company's ability to conduct its day-to-day operations, management of each Subsidiary has assessed what is believed to be the most reasonably likely worst case Year 2000 scenario if the Company were to take no further steps to prevent Year 2000 non-compliance. Sterling Trust relies on electronic information received from various external sources such as mutual fund companies, life insurance companies, broker/dealers, etc., to prepare quarterly statements and to process the investment directions of clients. Sterling Trust's most reasonably likely worst case scenario lies in not being

able to obtain this data. Many of Sterling Trust's external service providers are either regulated by the National Association of Securities Dealers or are owned by one of the stock exchanges. As such, Sterling Trust anticipates that most of these companies will be compliant. If for some reason the data from the outside service providers is available, but cannot be transmitted electronically, Sterling Trust plans to coordinate the receipt of that information via phone and fax lines. Once received, Sterling Trust will then manually input the data into their system in order to perform the necessary functions described above. In addition, the database for Sterling Trust's imaging system is not currently compliant. If Sterling Trust did not take the necessary steps to upgrade this database, there would be no source documents available, however, the information would be on the VAX. As such, Sterling Trust could either upgrade its sequel server or replace the imaging system entirely. Until one of these alternatives was completed, Sterling Trust would maintain and file source documents in paper form, as it did prior to the time it began using the imaging system.

Management from Matrix Bank anticipates that its most reasonably likely worst case Year 2000 scenario would be the failure of one of its credit card service providers, such as Matrix Bank's credit card processor. In the event that these service providers are not Year 2000 compliant, Matrix Bank anticipates discontinuing their credit card programs, which are mainly provided as a service to the Bank's customers, but do not contribute significantly to the net income of the Company on a consolidated basis.

Alltel, FNMA and FHLMC, whom Matrix Financial and Matrix Bank rely on for servicing mortgage loans are currently running compliant systems, however, the Company has not yet validated those systems. The Company anticipates using phone and fax lines to receive necessary information if systems for Alltel, FNMA or FHLMC fail on January 1, 2000.

Under Matrix Financial's most reasonably likely worst case Year 2000 scenario, two other areas may be affected. The first is the production department where loan documentation is received from outside brokers and processed by Matrix Financial. These loan documents could contain inaccurate calculations resulting from a Year 2000 problem with the software/hardware used by the broker to generate the documents. Matrix Financial risks inputting these loans into their PC-based in-house loan processing system, resulting in the bad input information being carried forward in the system. Since there are more than 500 brokers that send these documents to Matrix Financial, it is unlikely that Matrix Financial will be able to certify that all of the brokers are Year 2000 compliant. As such, additional legal disclosures are being reviewed to protect Matrix Financial in the event of such a problem. Additionally, due to the large number of brokers, Matrix Financial intends to cease the acceptance of loan documents from those brokers that are identified as non-compliant. The loss of business from any one broker will not have a material impact on the Company, as no broker is individually significant to the Company's operations. In addition, Matrix Financial is currently running a non-compliant version of MortgageWare, which is the application that allows Matrix Financial to process new loan applications. Matrix Financial intends to upgrade this application to a compliant version before June 30, 1999, however, if the upgrade does not occur, Matrix Financial would manually register and lock loan applications with the secondary marketing department and would track the new applications in an Excel or Access spreadsheet. Additionally, up front disclosures and processing would either be completed through different origination software or outsourced to a third party and closing documents would be generated from ShadowNet, which is already compliant or would be outsourced to a Year 2000 compliant vendor.

The second area of exposure for Matrix Financial is the secondary marketing department. Each day, rate information is received and loans are locked in at a set rate to be sold to investors. If an investor is unable to verify and process the loan rate lock confirmation (the paper copy of the agreed upon transaction) due to a Year 2000 issue, then Matrix Financial may be forced to relock the loans at the current day's rates, unless other evidence of the transaction exists. Due to the daily fluctuation in these rates, this could expose Matrix Financial to significant interest rate risk on the affected loans. This process is being reviewed to provide an alternative method between Matrix Financial and the investors for confirmation of the loan rate information.

For the remaining Companies, the worst case scenarios involve the following issues: for Matrix Bancorp, United Financial and United Capital Markets, validation of compliant Year 2000 systems and applications is not complete. Therefore, it is possible that systems and applications which have been represented to the Company as compliant by vendors may not work. If the validation phase is not completed on these items, the Company will have no assurance of these systems' and applications' compliance, and as such, may have inoperable programs, which could significantly affect aspects of the Company's business. USS's database used for tracking its properties under management has also not yet been tested to determine whether further renovation issues exist. If this process is not completed, it will be uncertain as to whether USS would be able to continue to accurately track its properties under management, which could significantly affect its business.

The Company anticipates that the total costs associated with implementing its

Year 2000 Plan will not exceed \$400,000; as such, Year 2000 compliance is not expected to have a material effect on the Company's results of operations. Most of the costs associated with the Year 2000 issue will be expensed as incurred; however, any costs attributable to the purchase of new software will be capitalized. Through February 28, 1999, the Company had expensed approximately \$145,000 for costs

43

associated with Year 2000 compliance. The costs of the Year 2000 project and the deadlines by which the Company believes that it will progress through the various phases of the project are based on management's best estimates, which were derived utilizing numerous assumptions of future events. There can be no guarantee that these estimates will be achieved and actual results could differ materially from those anticipated. Management presently believes that the Year 2000 issue will not pose significant operational problems for its computer systems. However, if the required modifications or replacements are not made, or are not completed in a timely manner, the Year 2000 issue could have a material impact on the operations of the Company. Additionally, despite the Company's efforts to verify the Year 2000 compliance of third parties, there can be no guarantee that the systems of other companies on which the Company relies will be converted timely and will not have an adverse effect on the Company or its systems.

Forward-Looking Statements

Certain statements contained in this annual report that are not historical facts, including, but not limited to, statements that can be identified by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "predict," "plan," "estimate," or "continue" or the negative thereof or other variations thereon or comparable terminology, are forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, and involve a number of risks and uncertainties. The actual results of the future events described in such forward-looking statements in this annual report could differ materially from those stated in such forward-looking statements. Among the factors that could cause actual results to differ materially are: interest rate fluctuations; level of delinquencies; defaults and prepayments; general economic conditions; competition; government regulation; possible future litigation; the actions or inactions of third parties (particularly of third party sources upon whom the Company is relying in connection with Year 2000 issues); unanticipated developments in connection with the design, implementation or completion of the Company's Year 2000 Plan (including without limitation the resignation or removal of the Company's Year 2000 Director, or any other key employees responsible for the Year 2000 Plan, or the misrepresentation by a third party source upon whom the Company is dependent as to the status of their Year 2000 readiness, progress or compliance); the risks and uncertainties discussed in the Company's current report on Form 8-K, filed March 23, 1999; and the uncertainties set forth from time to time in the Company's periodic reports, filings and other public statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations Asset and Liability Management Risk Sensitive Assets and Liabilities" and Item 1. "Business Mortgage Bank Activities Hedging of Servicing Rights."

Item 8. Financial Statements and Supplementary Data

See Index to Financial Statements on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and

Financial Disclosure

Not Applicable.

PART III

Items 10 through 13.

The information for these items is incorporated from the definitive proxy statement to be filed with the Commission.

44

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) (1) and (a) (2) Financial statements and financial statement schedules

See Index to Financial Statements on page F-1.

(b) Reports on Form 8-K

See Form 8-K filed by the Company, dated November 30, 1998, reporting on Year 2000 information under Item 5 thereof.

(c) Exhibits

See Exhibit Index, beginning on page II-1.

(d) Financial Statement Schedules

None.

45

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 on the 26th day of March, 1999.

Matrix Bancorp, Inc.

By: /s/

Guy A. Gibson
President and Chief Executive Officer

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.

Signatures -----	Title -----	Date ----
/s/ ----- Guy A. Gibson	President, Chief Executive Officer and a Director (Principal Executive Officer)	March 26, 1999
/s/ ----- Richard V. Schmitz	Chairman of the Board	March 26, 1999
/s/ ----- D. Mark Spencer	Vice Chairman and Director	March 26, 1999
/s/ ----- Thomas M. Piercy	Director	March 26, 1999
/s/ ----- David W. Kloos	Senior Vice President and Chief Financial Officer, and a Director (Principal Accounting and Financial Officer)	March 26, 1999
/s/ ----- Stephen Skiba	Director	March 26, 1999
/s/ ----- David A. Frank	Director	March 26, 1999

INDEX TO FINANCIAL STATEMENTS

Consolidated Financial Statements of Matrix Bancorp, Inc.

<TABLE>	
<S>	<C>
Report of Independent Auditors.....	F-2
Consolidated Balance Sheets - December 31, 1998 and 1997.....	F-3
Consolidated Statements of Income - for the years ended December 31, 1998, 1997 and 1996.....	F-4
Consolidated Statements of Shareholders' Equity - for the years ended December 31, 1998, 1997 and 1996.....	F-5
Consolidated Statements of Cash Flows - for the years ended December 31, 1998, 1997 and 1996.....	F-6
Notes to Consolidated Financial Statements - December 31, 1998.....	F-7
</TABLE>	

F-1

REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Directors
Matrix Bancorp, Inc.

We have audited the accompanying consolidated balance sheets of Matrix Bancorp, Inc. (Company) as of December 31, 1998 and 1997, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 consolidated financial position of the Company at December 31, 1998 and 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, in 1997 the Company adopted Statement of Financial Accounting Standards No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.

March 18, 1999

/s/ Ernst & Young LLP

F-2

MATRIX BANCORP, INC.

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

<TABLE>
<CAPTION>

	December 31,	
	1998	1997
<S>	<C>	<C>
ASSETS		
Cash.....	\$ 18,665	\$ 3,296
Interest-earning deposits.....	8,120	6,337
Loans held for sale, net.....	754,226	456,978
Loans held for investment, net.....	94,222	54,394
Mortgage servicing rights, net.....	58,147	36,440
Other receivables.....	40,018	22,695

Federal Home Loan Bank of Dallas stock.....	15,643	8,700
Premises and equipment, net.....	10,328	9,012
Other assets.....	13,271	8,893
	-----	-----
Total assets.....	\$1,012,640	\$606,745
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits.....	\$ 490,516	\$224,982
Custodial escrow balances.....	96,824	53,760
Drafts payable.....	5,423	7,506
Payable for purchase of mortgage servicing rights.....	12,103	8,660
Federal Home Loan Bank of Dallas borrowings.....	168,000	171,943
Borrowed money.....	178,789	89,909
Other liabilities.....	11,283	9,192
Income taxes payable.....	348	183
	-----	-----
Total liabilities.....	963,286	566,135
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, par value \$.0001; authorized 5,000,000 shares; no shares outstanding.....		
Common stock, par value \$.0001; authorized 50,000,000 shares; issued and outstanding 6,723,911 and 6,703,880 shares at December 31, 1998 and 1997, respectively.....	1	1
Additional paid in capital.....	22,416	22,185
Retained earnings.....	26,937	18,424
	-----	-----
Total shareholders' equity.....	49,354	40,610
	-----	-----
Total liabilities and shareholders' equity.....	\$1,012,640	\$606,745
	=====	=====

</TABLE>

See accompanying notes.

F-3

Matrix Bancorp, Inc.

Consolidated Statements of Income

(Dollars in thousands except per share information)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
INTEREST INCOME			
Loans and mortgage backed securities.....	\$ 59,452	\$ 31,096	\$ 16,084
Interest earning deposits.....	1,242	1,053	465
	-----	-----	-----
Total interest income.....	60,694	32,149	16,549
INTEREST EXPENSE			
Savings and time deposits.....	11,789	5,098	3,292
Demand and money market deposits.....	4,432	3,278	468
FHLE borrowings.....	8,554	3,435	2,039
Borrowed money.....	11,729	6,450	4,691
	-----	-----	-----
Total interest expense.....	36,504	18,261	10,490
	-----	-----	-----
Net interest income before provision for loan and valuation losses.....	24,190	13,888	6,059
Provision for loan and valuation losses.....	4,607	874	143
	-----	-----	-----
Net interest income.....	19,583	13,014	5,916
NONINTEREST INCOME			
Loan administration.....	17,411	16,007	8,827
Brokerage.....	7,054	3,921	4,364
Trust services.....	4,169	3,561	3,061
Gain on sale of loans and mortgage backed securities.....	3,108	2,441	3,121
Gain on sale of mortgage servicing rights.....	803	3,365	3,232
Loan origination.....	5,677	4,694	1,809
Other.....	8,523	4,040	2,173
	-----	-----	-----
Total noninterest income.....	46,745	38,029	26,587
NONINTEREST EXPENSE			

Compensation and employee benefits.....	22,194	14,724	12,722
Amortization of mortgage servicing rights.....	10,563	6,521	2,432
Occupancy and equipment.....	3,059	2,132	1,776
Postage and communication.....	2,393	1,522	1,214
Professional fees.....	1,439	976	666
Data processing.....	1,344	843	642
Losses related to recourse sales.....	--	1,237	787
Federal Deposit Insurance Corporation premiums.....	211	107	635
Other general and administrative.....	11,736	9,684	5,781
Total noninterest expense.....	52,939	37,746	26,655
Income before income taxes.....	13,389	13,297	5,848
Provision for income taxes.....	4,876	5,159	2,278
Net income.....	\$ 8,513	\$ 8,138	\$ 3,570
Net income per common share.....	\$ 1.27	\$1.22	\$.69
Net income per common share - assuming dilution.....	\$ 1.24	\$1.20	\$.68
Weighted average common shares.....	6,704,991	6,681,269	5,034,788
Weighted average common shares - assuming dilution.....	6,881,890	6,781,808	5,077,321

</TABLE>

See accompanying notes.

F-4

Matrix Bancorp, Inc.

Consolidated Statements of Shareholders' Equity

(Dollars in thousands)

<TABLE>

<CAPTION>

	COMMON STOCK		ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS	TOTAL
	SHARES	AMOUNT			
<S>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1995.....	4,668,531	\$ --	\$ 3,769	\$ 6,917	\$10,686
Issuance of stock, net of issuance costs of \$1,934.....	2,012,500	1	18,190	--	18,191
Cash dividends paid by pooled company prior to merger.....	--	--	--	(201)	(201)
Capital contribution into pooled company prior to merger.....	--	--	24	--	24
Net income.....	--	--	--	3,570	3,570
Balance at December 31, 1996.....	6,681,031	1	21,983	10,286	32,270
Issuance of stock related to employee stock purchase plan and options.....	22,849	--	202	--	202
Net income	--	--	--	8,138	8,138
Balance at December 31, 1997.....	6,703,880	1	22,185	18,424	40,610
Issuance of stock related to employee stock purchase plan and options.....	20,031	--	231	--	231
Net income.....	--	--	--	8,513	8,513
Balance at December 31, 1998.....	6,723,911	\$ 1	\$22,416	\$26,937	\$49,354

</TABLE>

See accompanying notes.

F-5

MATRIX BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES			

Net income.....	\$ 8,513	\$ 8,138	\$ 3,570
Adjustments to reconcile net income to net cash used by operating activities:			
Depreciation and amortization.....	2,519	1,382	1,106
Provision for loan and valuation losses.....	4,607	874	143
Amortization of mortgage servicing rights.....	10,563	6,521	2,432
Accretion of premium on deposits.....	-	-	(7)
Deferred income taxes.....	48	(2)	(54)
Gain on sale of loans and mortgage backed securities.....	(3,108)	(2,441)	(3,121)
Gain on sale of mortgage servicing rights.....	(803)	(3,365)	(3,232)
Losses related to recourse sales.....	-	1,237	787
Loans originated for sale, net of loans sold.....	(76,544)	(18,800)	8,099
Loans purchased for sale.....	(678,150)	(493,693)	(159,015)
Proceeds from sale of loans purchased for sale.....	319,430	198,010	57,147
Gain on sale of premises and equipment.....	-	-	(78)
Originated mortgage servicing rights, net.....	24	(818)	(441)
Increase in other receivables and other assets.....	(23,743)	(13,279)	(796)
Increase (decrease) in other liabilities and income taxes payable.....	2,256	2,832	(2,320)
	-----	-----	-----
Net cash used by operating activities.....	(434,388)	(313,404)	(95,780)
 INVESTING ACTIVITIES			
Loans originated and purchased for investment.....	(82,547)	(56,793)	(15,048)
Principal repayments on loans.....	176,520	73,908	22,982
Purchase of Federal Home Loan Bank of Dallas stock.....	(6,943)	(5,829)	(917)
Purchases of premises and equipment.....	(3,028)	(2,295)	(2,695)
Purchase of land under development.....	-	-	(1,431)
Purchase of revenue anticipation warrants.....	-	-	(818)
Purchase of residential homes.....	-	-	(1,003)
Acquisition of mortgage servicing rights.....	(31,388)	(36,535)	(10,410)
Proceeds from sale of mortgage servicing rights.....	5,160	19,817	8,410
Proceeds from sale of available for sale securities.....	-	-	21,548
	-----	-----	-----
Net cash provided (used) by investing activities.....	57,774	(7,727)	20,618
 FINANCING ACTIVITIES			
Net increase in deposits.....	265,534	134,803	41,309
Net increase in custodial escrow balances.....	43,064	15,879	10,870
Increase in revolving lines and repurchase agreements, net.....	64,564	137,527	17,151
Repayments of notes payable.....	(64,539)	(34,347)	(13,923)
Proceeds from notes payable.....	85,078	45,148	6,924
Proceeds from senior notes, net.....	-	19,100	-
Repayment of financing arrangements.....	(166)	(157)	(564)
Dividends paid by pooled company prior to merger.....	-	-	(201)
Capital contribution into pooled company prior to merger.....	-	-	24
Proceeds from issuance of common stock related to employee stock purchase plan and options.....	231	202	18,191
	-----	-----	-----
Net cash provided by financing activities.....	393,766	318,155	79,781
	-----	-----	-----
(Decrease) increase in cash and cash equivalents.....	17,152	(2,976)	4,619
Cash and cash equivalents at beginning of the year.....	9,633	12,609	7,990
	-----	-----	-----
Cash and cash equivalents at end of the year.....	\$ 26,785	\$ 9,633	\$ 12,609
	=====	=====	=====
 SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY			
Payable for purchase of mortgage servicing rights.....	\$ 12,103	\$ 8,660	\$ 8,044
	=====	=====	=====
Drafts payable.....	\$ 5,423	\$ 7,506	\$ 5,961
	=====	=====	=====
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest expense.....	\$ 34,547	\$ 17,379	\$ 10,598
	=====	=====	=====
Cash paid for income taxes.....	\$ 4,664	\$ 6,019	\$ 2,298
	=====	=====	=====

</TABLE>

See accompanying notes.

F-6

MATRIX BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1998

1. ORGANIZATION

Matrix Bancorp, Inc. (Company) is a unitary thrift holding company that, through its subsidiaries, is a diversified financial services company. In December 1998, the Company changed its name to "Matrix Bancorp, Inc." from Matrix Capital Corporation. The Company's operations are conducted primarily

through Matrix Capital Bank (Matrix Bank), Matrix Financial Services Corporation (Matrix Financial), United Financial, Inc. (United Financial) and The Vintage Group, Inc. (Vintage), all of which are wholly owned.

Matrix Bank, a federally chartered savings and loan association, serves its local communities of Las Cruces, New Mexico and Phoenix, Arizona, by providing personal and business depository services, offering residential and consumer loans and providing, on a limited basis, commercial real estate loans.

The Company's mortgage banking business is conducted through Matrix Financial, and was established with the primary objective of acquiring, originating and servicing residential mortgage loan servicing rights. Servicing mortgage loans involves the contractual right to receive a fee for processing and administering mortgage loan payments. The Company acquires servicing rights primarily in the secondary market as well as through Matrix Financial's wholesale loan origination offices in the Atlanta, Denver, Las Vegas and Phoenix metropolitan areas.

United Financial provides brokerage and consulting services to financial institutions and financial services companies in the mortgage banking industry, primarily related to the brokerage and analysis of residential mortgage loan servicing rights and residential mortgage loans, corporate and mortgage loan servicing portfolio valuations, and, to a lesser extent, consultation and brokerage services in connection with mergers and acquisitions of mortgage banking entities.

Vintage's operations, which are located in Texas, consist of a nonbank trust company specializing in the administration of self-directed qualified retirement plans, individual retirement accounts, custodial and directed trust accounts, and a NASD broker/dealer that provides services to individuals and deferred contribution plans.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Company and its subsidiaries conform to generally accepted accounting principles and to general practices within the financial services industry. The following is a description of the more significant policies which the Company follows in preparing and presenting its consolidated financial statements.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from these estimates.

Pooling of Interests Accounting

On February 5, 1997, the Company completed the merger of Vintage with the issuance of 779,592 shares of the Company's common stock, which was accounted for as a pooling of interests. The financial information for all prior periods presented has been restated to present the combined financial condition and results of operations of both companies as if the merger of Vintage had been in effect for all periods presented.

F-7

MATRIX BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following table sets forth separate company financial information for the year ended December 31, 1996. The separate company financial information for Vintage for 1997 was not significant due to the pooling occurring on February 5, 1997.

<TABLE>
<CAPTION>

	YEAR ENDED	
	DECEMBER 31, 1996	

	(In thousands)	
	COMPANY	VINTAGE
	-----	-----
<S>	<C>	<C>
Net interest income.....	\$ 5,859	\$ 57

Total noninterest income.....	22,471	4,116
Total noninterest expense.....	22,951	3,704
Net income.....	3,273	297

</TABLE>

Loans Held for Sale

Loans originated or purchased with the intent for sale in the secondary market are carried at the lower of cost, net of discounts or premiums and a valuation allowance, or estimated market value in the aggregate. Market value is determined using forward sale commitments to permanent investors or current market rates for loans of similar quality and type. Net unrealized losses, if any, would be recognized in a valuation allowance by charges to income. Discounts or premiums on loans held for sale are not accreted or amortized into income on an interest method, however discounts and premiums related to payments of loan principal are recorded in interest income. The loans are primarily secured by one to four family residential real estate located throughout the United States.

The Company includes in loans held for sale first mortgage loans which are acquired under several purchase/repurchase facilities. The Company earns interest income on all the facilities and on some of the facilities receives a profit participation when the loans are subsequently sold which is included in interest income.

Gains and losses on loan sales are determined based on the difference between the allocated cost basis of the assets sold and the proceeds, which includes the fair value of any assets or liabilities that are newly created as a result of the transaction. Losses related to recourse provisions in excess of the amount originally provided are accrued as a liability at the time such additional losses are determined, and recorded as part of noninterest expense.

Loans Held for Investment

Loans held for investment are stated at unpaid principal balances, less unearned discounts and premiums, deferred loan fees, loans in process and allowance for loan losses.

Allowance for Loan Losses

The allowance for loan losses is calculated, in part, based on historical loss experience. In addition, management takes into consideration other factors such as any qualitative evaluations of individual classified assets, geographic portfolio concentrations, new products or markets, evaluations of the changes in the historical loss experience component, and projections of this component into the current and future periods based on current knowledge and conditions. After an allowance has been established for the loan portfolio, management establishes an unallocated portion of the allowance for loan losses, which is attributable to factors that cannot be associated with a specific loan or loan portfolio. These factors include general economic conditions, recognition of specific regional geographic concerns, loan type and trends in portfolio growth. Loan losses are charged against the allowance when the probability of collection is considered remote. In the opinion of management, the allowance, when taken as a whole, is adequate to absorb reasonably foreseeable losses in the current loan portfolio.

The Company considers a loan impaired when, based on current information and events, it is probable that it will be unable to collect all amounts due according to the contractual terms of the loan. The Company evaluates its residential loans

MATRIX BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

collectively due to their homogeneous nature. Accordingly, potential impaired loans of the Company include only commercial, real estate construction and commercial real estate mortgage loans classified as nonperforming loans. Impairment allowances are considered by the Company in determining the overall adequacy of the allowance for loan losses. When a loan is identified as "impaired," accrual of interest ceases. The Company had no impaired loans as of or for the years ended December 31, 1998, 1997 and 1996.

Loans are placed on nonaccrual status when full payment of principal or interest is in doubt, or generally when they are past due ninety days as to either principal or interest, unless the interest is guaranteed through recourse provisions. Previously accrued but unpaid interest is reversed and charged against interest income, if not collectible, and future accruals are

discontinued. Interest payments received on nonaccrual loans are recorded as interest income unless there is doubt as to the collectibility of the recorded investment. In those cases, cash received is recorded as a reduction in principal.

Mortgage Servicing Rights (MSRs)

Effective January 1, 1997, Statement of Financial Accounting Standards (Statement) No. 122, Accounting for Mortgage Servicing Rights, was superseded by Statement No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. The Company adopted Statement No. 125 in 1997 and recognizes originated mortgage servicing rights (OMSRs) as an asset separate from the underlying originated mortgage loan by allocating the total cost of originating a mortgage loan between the loan and the servicing right based on their respective fair values. MSRs are carried at the lower of cost (allocated cost for OMSRs), less accumulated amortization, or fair value. MSRs are amortized in proportion to and over the period of the estimated future net servicing income.

The fair value of MSRs is determined based on the discounted future servicing income stratified based on one or more predominant risk characteristics of the underlying loans. The Company stratifies its MSRs by product type and investor to reflect the predominant risk characteristics. To determine the fair value of MSRs, the Company uses a valuation model that calculates the present value of future cash flows to determine the fair value of the MSRs. In using this valuation method, the Company incorporates assumptions that market participants would use in estimating future net servicing income which includes estimates of the cost of servicing per loan, the discount rate, float value, an inflation rate, ancillary income per loan, prepayment speeds and default rates. As of December 31, 1998, no valuation allowance was required and the fair value of the aggregate MSRs was approximately \$61,000,000.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight line method over the estimated lives of the assets, which range from three to seven years for office furniture, equipment and software and 30 years for buildings.

Foreclosed Real Estate

Real estate acquired through foreclosure, deed in lieu of foreclosure or in judgment is carried at the lower of fair value, minus estimated costs to sell, or the related loan balance at the date of foreclosure. Valuations are periodically performed by management and an allowance for loss is established by a charge to operations if the carrying value of a property exceeds its fair value, minus estimated costs to sell. The net carrying value of foreclosed real estate, which is classified in other assets, was \$916,000 and \$1,242,000 at December 31, 1998 and 1997, respectively. All of the Company's foreclosed properties relate to residential real estate as of December 31, 1998.

Acquired Real Estate

Costs directly attributable to the acquisition, development, and construction of land development are capitalized. Such costs include preacquisition costs, direct project costs and holding costs. The investment in land development is carried at the lower of cost, which includes capitalized costs, or net realizable value. Net unrealized losses, if any, would be recognized in a valuation allowance. As of December 31, 1998 there was no valuation allowance necessary for the land development.

F-9

MATRIX BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Company and its subsidiaries file consolidated federal and state income tax returns. The subsidiaries are charged for the taxes applicable to their profits calculated on the basis of filing separate income tax returns. Matrix Bank qualifies as a savings and loan association for income tax purposes.

The Company follows Statement No. 109, Accounting for Income Taxes, which uses the liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Drafts Payable

Drafts payable represent the in transit outstanding funding of a new loan by the Company via a negotiable instrument, however, the instrument has not yet been presented to the bank for payment. Presentation to the bank generally occurs within one to three days.

Loan Administration Income

Loan administration income represents service fees and other income earned from servicing loans for various investors. Loan administration income includes service fees that are based on a contractual percentage of the outstanding principal balance plus late fees and other ancillary charges. Income is recognized when the related payments are received.

Brokerage Income

Brokerage income represents fees earned related to servicing brokerage and consulting services. Brokerage income is recognized when earned.

Trust Services Income

Trust services income represents fees earned related to services provided for self-directed IRA, qualified benefit plans and escrow arrangements. Trust services income is recognized when earned.

Gain on Sale of Servicing Rights

Gain on sale of servicing rights is recognized when substantially all the risks and rewards inherent in owning the MSRs have been transferred to the buyer, and any protection provisions retained by the Company are minor and can be reasonably estimated.

Loan Origination Income

Loan origination income for loans originated for sale, which includes all mortgage origination fees, secondary marketing activity and servicing-released premiums on mortgage loans sold, net of outside origination costs, is recognized as income at the time the loan is sold.

Loan origination income for loans originated for investment, which includes mortgage origination fees and certain direct costs associated with loan originations, is deferred and amortized as a yield adjustment over the contractual life of the related loan using the interest method, adjusted for estimated prepayments.

F-10

MATRIX BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stock Based Compensation

The Company grants stock options for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the date of grant. The Company accounts for stock option grants in accordance with APB Opinion No. 25, Accounting for Stock Issued to Employees, and, accordingly, recognizes no compensation expense for stock option grants.

Cash and Cash Equivalents

Cash equivalents, for purposes of the statements of cash flows, consist of cash and interest-earning deposits with banks with original maturities when purchased of three months or less.

Hedging of Mortgage Servicing Rights

The Company hedges a segment of its servicing portfolio using exchange traded futures and options. A change in the market value of the futures contract is deferred and amortized in proportion to and over the period of the estimated future net servicing income of the hedged servicing portfolio. The option premium or cost is amortized ratably over the period of the option. If any of the hedged servicing portfolio is sold, then the realized and unrealized gain or loss from the futures and options attributable to the portion sold is included in the basis of the MSRs sold for purposes of calculating gain or loss on sale. These realized and unrealized hedging gains and losses are considered in the determination of the fair value of the MSRs.

Net Income Per Share

As of December 31, 1997, the Company adopted Statement No. 128, Earnings

per Share, and restated all prior period earnings per share (EPS) data, as required. Statement No. 128 replaced the presentation of primary and fully diluted EPS pursuant to APB Opinion No. 15, Earnings per Share, with the presentation of basic and diluted EPS. Basic EPS, or net income per common share, excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period. Net income per common share assuming dilution is computed by dividing net income by the weighted average number of common shares outstanding for the period and the dilutive effect, if any, of stock options and warrants outstanding for the period.

Comprehensive Income

The Company adopted Statement No. 130, Reporting Comprehensive Income, as of January 1, 1998. Statement No. 130 establishes new rules for the reporting and display of comprehensive income and its components, however, the adoption of this Statement did not result in any change in presentation and had no impact on the Company's net income or shareholders' equity. Statement No. 130 requires reclassification of financial statements for earlier periods provided for comparative purposes.

Segment Reporting

Effective January 1, 1998, the Company adopted Statement No. 131, Disclosures about Segments of an Enterprise and Related Information. Statement No. 131 superceded FASB Statement No. 14, Financial Reporting for Segments of a Business Enterprise. Statement No. 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. Statement No. 131 also establishes standards for related disclosures about products and services, geographic areas and major customers. The adoption of Statement No. 131 did not affect results of operations or financial position.

Impact of Recently Issued Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, which is required to be adopted in years beginning after June 15, 1999. Statement No. 133 permits early adoption as of the beginning of any fiscal quarter after its issuance. The Company expects to adopt the new Statement

F-11

MATRIX BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

effective January 1, 2000. Statement No. 133 will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

The Company has not yet determined what effect Statement No. 133 will have on the earnings and financial position of the Company.

Reclassifications

Certain amounts in the prior period financial statements have been reclassified to conform to the current period presentation.

3. NET INCOME PER SHARE

The following table sets forth the computation of net income per share and net income per share, assuming dilution:

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
	(Dollars in thousands)		
<S>	<C>	<C>	<C>
Numerator:			
Net income.....	\$ 8,513	\$ 8,138	\$ 3,570
Less: preferred stock dividends from pooled			

company.....	-	-	(112)
Net income available to common shareholders....	\$ 8,513	\$ 8,138	\$ 3,458
Denominator:			
Weighted average shares outstanding.....	6,704,991	6,681,269	5,034,788
Effect of dilutive securities:			
Common stock options.....	150,478	89,333	42,533
Common stock warrants.....	26,421	11,206	-
Dilutive potential common shares.....	176,899	100,539	42,533
Denominator for net income per share, assuming dilution.....	6,881,890	6,781,808	5,077,321

</TABLE>

F-12

MATRIX BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. LOANS RECEIVABLE

Loans Held for Investment

Loans held for investment consist of the following:

<TABLE>

<CAPTION>

	DECEMBER 31,	
	1998	1997
	(IN THOUSANDS)	
<S>	<C>	<C>
Residential loans.....	\$ 5,563	\$ 7,523
Multi-family, commercial real estate, and commercial.....	56,130	32,189
Construction loans.....	43,672	14,878
Consumer loans and other.....	9,997	10,942
	115,362	65,532
Less:		
Loans in progress.....	18,941	9,784
Purchase discounts, net.....	212	236
Unearned fees on loans (excluding consumer).....	524	220
Unearned fees on consumer loans.....	327	209
Allowance for loan losses.....	1,136	689
	21,140	11,138
	\$ 94,222	\$54,394

</TABLE>

Activity in the allowance for loan losses is summarized as follows:

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Balance at beginning of period.....	\$ 689	\$ 270	\$ 227
Provision for loan losses.....	1,178	554	34
Charge-offs.....	(789)	(166)	(6)
Recoveries.....	58	31	15
Balance at end of period.....	\$1,136	\$ 689	\$ 270

</TABLE>

Nonaccrual loans in the loans held for investment portfolio totaled approximately \$376,000 and \$381,000 or 0.4 percent and 0.7 percent of the total loans held for investment portfolio at December 31, 1998 and 1997, respectively.

The Company had commitments to extend credit on consumer, commercial and construction loans of approximately \$40,768,000 at December 31, 1998.

F-13

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. LOANS RECEIVABLE (CONTINUED)

Loans Held for Sale

Loans held for sale consist of the following as of:

<TABLE>

<CAPTION>

	DECEMBER 31,	
	1998	1997
	(IN THOUSANDS)	
<S>	<C>	<C>
Residential loans.....	\$ 730,247	\$ 456,552
Commercial loans, leases and other.....	30,268	2,728
	760,515	459,280
Less:		
Purchase discounts, net.....	3,715	1,235
Valuation allowance.....	2,574	1,067
	6,289	2,302
	\$ 754,226	\$ 456,978
	=====	=====

</TABLE>

Included in loans held for sale are approximately \$49,459,000 and \$36,352,000 at December 31, 1998 and 1997, respectively, of first mortgage loans which the Company has acquired under purchase/repurchase facilities with several parties. The terms of the purchase/repurchase facilities vary with each seller but include provisions which require the seller to repurchase the loans within a defined period of time, provide, at the Company's option, the ability, on short notice, to require the seller to repurchase the loans, or in some cases, allow the seller to repurchase the loans.

Activity in the valuation allowance is summarized as follows:

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Balance at beginning of period....	\$ 1,067	\$ 769	\$ 716
Provision for valuation allowance.	3,429	320	109
Charge-offs.....	(1,922)	(22)	(64)
Recoveries.....	-	-	8
	2,574	1,067	769
Balance at end of period.....	\$ 2,574	\$ 1,067	\$ 769
	=====	=====	=====

</TABLE>

Nonaccrual loans related to the loans and direct financing leases held for sale portfolio aggregated approximately \$12,833,000 and \$4,609,000 at December 31, 1998 and 1997, respectively. Interest income that would have been recorded for all nonaccrual loans was approximately \$524,000, \$89,000 and \$120,000 during the years ended December 31, 1998, 1997 and 1996, respectively.

During 1996, the Company formed two mortgage-backed securities with an unpaid principal balance of approximately \$21,000,000 from its loans held for sale portfolio. During the year ended December 31, 1996, the Company recognized a gross gain on the sale of mortgage-backed securities of approximately \$171,000 and the taxes related to this sale were approximately \$68,000.

During 1996, the Company purchased numerous automobile retail installment contracts and sold approximately \$18,500,000 of such contracts, subject to certain recourse provisions. During 1997 and 1996, the Company was required to repurchase approximately \$4,000,000 of automobile installment contracts and repossessed automobiles pursuant to the recourse provisions.

In December 1997, the Company sold the remaining automobile retail installment contracts including its repossessed assets and the charged-off accounts for \$800,000, to an independent third party. The Company received \$260,000 in cash and financed the remaining balance, with recourse limited to the assets sold. The Company realized a loss of approximately \$54,000 upon the sale. The Company recorded losses of \$-0-, \$1,237,000 and \$787,000 for the years

MATRIX BANCROP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. PREMISES AND EQUIPMENT

Premises and equipment consist of the following:

<TABLE>

<CAPTION>

	DECEMBER 31,	
	1998	1997
	(IN THOUSANDS)	
<S>	<C>	<C>
Land.....	\$ 684	\$ 684
Buildings.....	4,486	4,348
Leasehold improvements.....	1,116	460
Office furniture and equipment.....	7,697	5,485
Other equipment.....	1,297	1,268
	-----	-----
	15,280	12,245
Less: accumulated depreciation and amortization..	4,952	3,233
	-----	-----
	\$ 10,328	\$ 9,012
	=====	=====

</TABLE>

Included in occupancy and equipment expense is depreciation and amortization expense of premises and equipment of approximately \$1,712,000, \$1,170,000 and \$828,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

6. MORTGAGE SERVICING RIGHTS

The activity in the MSRs is summarized as follows:

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Balance at beginning of year.....	\$ 36,440	\$ 23,680	\$ 13,817
Purchases.....	34,831	37,151	17,142
Originated, net of OMSRs sold.....	(24)	818	441
Amortization.....	(10,563)	(6,521)	(2,432)
Transfer of MSRs to FHLMC.....	-	-	(110)
Sales.....	(2,537)	(18,688)	(5,178)
	-----	-----	-----
Balance at end of year.....	\$ 58,147	\$ 36,440	\$ 23,680
	=====	=====	=====

</TABLE>

Accumulated amortization of MSRs aggregated approximately \$26,921,000 and \$17,223,000 at December 31, 1998 and 1997, respectively.

The Company's servicing activity is diversified throughout 50 states with concentrations at December 31, 1998 in California, Florida and Texas of approximately 19.9 percent, 9.5 percent and 8.3 percent, respectively, based on aggregate outstanding unpaid principal balances of the mortgage loans serviced. As of December 31, 1998 and 1997, the Company subserviced loans for others of approximately \$9,900,000 and \$239,000,000, respectively.

The Company's servicing portfolio (excluding subserviced loans) comprised the following:

<TABLE>

<CAPTION>

	DECEMBER 31,			
	1998		1997	
	NUMBER OF LOANS	PRINCIPAL BALANCE OUTSTANDING	NUMBER OF LOANS	PRINCIPAL BALANCE OUTSTANDING
	(DOLLARS IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>
	-----	-----	-----	-----

FHLMC.....	19,227	\$1,221,074	13,134	\$ 715,513
FNMA.....	23,198	1,419,345	18,000	1,168,199
GNMA.....	17,552	838,081	15,845	615,234
Other VA, FHA, and conventional loans.....	18,369	1,879,229	14,538	849,116
	-----	-----	-----	-----
	78,346	\$5,357,729	61,517	\$ 3,348,062
	=====	=====	=====	=====

</TABLE>

F-15

MATRIX BANCROP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. MORTGAGE SERVICING RIGHTS (CONTINUED)

The Company's custodial escrow balances shown in the accompanying consolidated balance sheets at December 31, 1998 and 1997 pertain to escrowed payments of taxes and insurance and the float on principal and interest payments on loans serviced on behalf of others of approximately \$6,111,000 and \$6,801,000, respectively, and owned by the Company of approximately \$89,546,000 and \$42,878,000, respectively. The Company also has custodial accounts on deposit from other mortgage companies aggregating approximately \$1,167,000 and \$4,081,000 at December 31, 1998 and 1997, respectively. The Companies custodial accounts are maintained at Matrix Bank in noninterest-bearing accounts. The balance of the custodial accounts fluctuate from month to month based on the pass-through of the principal and interest payments to the ultimate investors and the timing of taxes and insurance payments.

7. DEPOSITS

Deposit account balances are summarized as follows:

	DECEMBER 31,					
	1998			1997		
	AMOUNT	PERCENT	WEIGHTED AVERAGE RATE	AMOUNT	PERCENT	WEIGHTED AVERAGE RATE
	-----	-----	-----	-----	-----	-----
	(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Passbook accounts.....	\$ 2,830	0.58%	3.58%	\$ 2,851	1.27%	3.95%
NOW accounts.....	42,178	8.60	1.63	26,382	11.73	1.62
Money market accounts.....	170,957	34.85	3.13	99,899	44.40	2.96
	-----	-----	-----	-----	-----	-----
Certificate accounts.....	215,965	44.03	2.84	129,132	57.40	2.70
	274,551	55.97	5.52	95,850	42.60	5.94
	-----	-----	-----	-----	-----	-----
	\$ 490,516	100.00%	4.37%	\$ 224,982	100.00%	4.09%
	=====	=====	=====	=====	=====	=====

</TABLE>

Included in NOW accounts are noninterest-bearing DDA accounts of \$22,672,000 and \$9,218,000 for the years ended December 31, 1998 and 1997, respectively.

Contractual maturities of certificate accounts as of December 31, 1998:

	UNDER 12 MONTHS	12 TO 36 MONTHS	36 TO 60 MONTHS
	-----	-----	-----
	(In thousands)		
<S>	<C>	<C>	<C>
4.00-4.99%.....	\$ 127,469	\$ 294	\$ 5,970
5.00-5.99%.....	106,772	15,607	6,481
6.00-6.99%.....	7,210	4,620	2
7.00-7.99%.....	-	126	
	-----	-----	-----
	\$ 241,451	\$ 20,647	\$ 12,453
	=====	=====	=====

</TABLE>

Approximately \$137,043,000 and \$108,990,000 of assets under administration by Vintage are included in NOW, DDA and money market accounts as of December 31, 1998 and 1997, respectively. Included in certificate accounts is \$148,676,000 of brokered deposits as of December 31, 1998. Additionally, included in money

MATRIX BANCROP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. DEPOSITS (CONTINUED)

Interest expense on deposits is summarized as follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Passbook accounts.....	\$ 102	\$ 113	\$ 82
NOW accounts.....	522	795	63
Money market.....	3,910	2,483	405
Certificates of deposit.....	11,687	4,985	3,210
	-----	-----	-----
	\$16,221	\$ 8,376	\$ 3,760
	=====	=====	=====

</TABLE>

The aggregate amount of deposit accounts with a balance greater than \$100,000 (excluding brokered deposits) was approximately \$17,622,000 and \$7,185,000 at December 31, 1998 and 1997, respectively.

8. BORROWED MONEY

Borrowed money is summarized as follows:

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1998	1997
	(IN THOUSANDS)	
<S>	<C>	<C>
Revolving Lines		
\$90,000,000 revolving warehouse loan agreement with banks, secured by mortgage loans held for sale, interest at federal funds rate plus 0.85-2.00 percent (6.01 percent average rate at December 31, 1998); \$17,843,000 available at December 31, 1998.....	\$ 72,157	\$ 45,962
\$10,000,000 working capital facility with banks secured by mortgage loans held for sale, MSR, eligible servicing advance receivables and eligible delinquent mortgage receivables; interest at federal funds rate plus 1.5 percent (6.18 percent at December 31, 1998); \$5,521,000 available at December 31, 1998.....	4,479	2,376
\$11,500,000 revolving line of credit with a third party financial institution, secured by common stock of Matrix Bank; interest due monthly at prime; \$1,200,000 available at December 31, 1998.....	10,300	-
Total revolving lines.....	86,936	48,338
Term Notes Payable		
Servicing acquisition loan agreement with a bank, secured by MSR, due at the earlier of the maturity of the MSR or amortized over five to six years from the date of the borrowing through January 31, 2003; interest at federal funds rate plus 2.00 percent (6.68 percent at December 31, 1998); \$14,137,000 available at December 31, 1998.....	26,974	12,348
Senior notes, interest at 11.50 percent payable semiannually, unsecured and maturing September 30, 2004.....	20,000	20,000
Senior subordinated notes, interest at 14 percent payable semiannually, unsecured and maturing July 2002, with mandatory redemptions of \$727,500 on each of July 15, 1999, 2000 and 2001.....	2,910	2,910
\$8,500,000 note payable to a third party financial institution (revised bank stock loan) due in quarterly installments of \$303,591, plus interest, through June 30, 2001, collateralized by the common stock of Matrix Bank; interest at prime.....	7,893	1,786

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. BORROWED MONEY (CONTINUED)

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1998	1997

	(IN THOUSANDS)	
	<C>	<C>
<S>		
Notes payable to banks, secured by a deeds of trust on real estate, interest at prime plus 1.0 percent.....	\$ 1,715	\$ 1,740
Other.....	1,296	1,465
	-----	-----
Total term notes.....	60,788	40,249
Other		
Agreements with a bank to sell mortgage loans and direct financing leases originated by the Company under agreements to repurchase. The agreement can be terminated upon 90 days written notice by either party; interest at the higher of the prime rate or note rate on the loans and 8 percent on direct lease financing. Total commitment amount of these agreements is \$25,000,000, with \$9,933,000 available at December 31, 1998. Increases are at the discretion of the bank.....	15,067	-
Financing agreement with a bank, secured by Ft. Lupton Subordinated Series 1996 A1 revenue anticipation warrants, interest is at 5 percent and is due based on the semi-annual bonds payments, unpaid principal due at bond maturity.....	800	800
MSR financing, collateralized by MSR's with unpaid principal balances of \$42,900,000 at December 31, 1998.....	356	522
Agreement with bank to finance direct financing leases to charter schools, interest is at 7 percent and can be terminated at any time by either party. Total commitment amount is at the option of the bank.....	1,125	-
Financing agreement, collateralized by direct financing leases, interest variable..	13,717	-
	-----	-----
Total other.....	31,065	1,322
	-----	-----
Total borrowed money.....	\$ 178,789	\$ 89,909
	=====	=====

</TABLE>

The Company may redeem the senior subordinated notes, in whole or in part, at any time after July 15, 1998 at a redemption price of 102 percent of par through July 14, 1999 and, thereafter, at par, plus accrued and unpaid interest.

As of December 31, 1998 the maturities of term notes payable during the next five years and thereafter are as follows:

<TABLE>
<CAPTION>

	(IN THOUSANDS)
	<C>
<S>	
1999.....	\$ 9,531
2000.....	8,519
2001.....	12,192
2002.....	4,984
2003.....	4,959
Thereafter.....	20,603

	\$60,788
	=====

</TABLE>

The Company must comply with certain financial and other covenants related to the foregoing debt agreements including, among other things, the maintenance of specific ratios, net worth and other amounts as defined in the credit agreements limiting the Company's ability to declare dividends (and its subsidiaries) or incur additional debt, and establishes requirements to maintain certain capital levels in certain subsidiaries. These covenants include requirements for the Company to maintain consolidated tangible capital of not less than \$44.4 million, maintain adjusted debt to shareholders' equity of less than 4:1 and

8. BORROWED MONEY (CONTINUED)

maintain the requirements necessary such that Matrix Bank will not be classified as other than "well capitalized," as defined. At December 31, 1998, the Company was in compliance with these covenants.

On February 22, 1999, the Company renegotiated the revolving credit facilities for its \$90,000,000 warehouse loan agreement, the \$10,000,000 working capital loan agreement and its \$45,000,000 servicing acquisition loan agreement. With this renegotiation, the aggregate amount of revolving warehouse lines of credit facilities was increased to \$120,000,000 and the aggregate amount of the servicing acquisition facility and the aggregate amount of the working capital facility were unchanged. The new credit facility agreement requires Matrix Financial to maintain, among other things, (i) total shareholder's equity of at least \$13,000,000 plus 90 percent of capital contributed after January 1, 1999, plus 90 percent of cumulative quarterly net income, (ii) adjusted net worth, as defined, of at least \$25,000,000, (iii) a servicing portfolio of at least \$4,000,000,000, (iv) principal debt of term line borrowings of no more than the lesser of 70 percent of the appraised value of the mortgage servicing portfolio or 1.25 percent of the unpaid principal balance of the mortgage servicing portfolio, (v) a ratio of total adjusted debt to adjusted tangible net worth of no more than eight to one, (vi) a ratio of cash flow to current maturities of long-term debt and any capital leases of at least 1.3 to 1.0, (vii) a ratio of outstanding term-line borrowings outstanding to adjusted net worth of no more than 2.5 to 1.0 and (viii) principal debt of working capital borrowings and term line borrowings of no more than the lesser of 95 percent of the appraised value of the mortgage servicing portfolio or 1.25 percent of the unpaid principal balance of the mortgage servicing portfolio.

Direct Financing Leases Financing Agreement

During 1998, the Company placed tax-exempt direct financing leases it originated to charter schools into a partnership trust, USBI, Trust Series 1998 (Trust). The Trust then issued Class "A" Certificates and Class "B" Certificates, with the Class "A" Certificates being sold under a private placement at a price of par.

The "A" Certificates are guaranteed by a letter of credit issued by the Guarantor, which is a third party investment bank (Investment Bank) and the underlying leases. The "A" Certificates interest rate may be determined weekly, monthly or for a term for up to one year. The interest rate and the term of the interest rate are determined by the Remarketing Agent, which is also the Investment Bank. Generally, the Trust is short-term in nature with an average life of one year or less.

The "B" Certificates are owned in part by the Company and in part by the Investment Bank. The interest rate paid on the "A" Certificates and the "B" Certificates owned by the Investment Bank is considered the Company's financing cost. The approximate cost of the financing at December 31, 1998 was 6.88 percent. The interest that the Company receives through its part ownership of the "B" Certificates is tax-exempt.

Although the Investment Bank acts as Guarantor to the "A" Certificates, the Company provides full recourse to the Investment Bank in all cases of loss or default. Due to the nature of the recourse and the ability of the "A" Certificate holders to put the certificates to the Trust, the transaction has been treated as a financing.

9. FEDERAL HOME LOAN BANK OF DALLAS BORROWINGS

Federal Home Loan Bank of Dallas (FHLB) borrowings aggregated \$168,000,000 and \$171,943,000 at December 31, 1998 and 1997, respectively. Advances of \$121,000,000 bear interest at rates which adjust daily and are based on the mortgage repo rate. Advances of \$47,000,000 at December 31, 1998, were borrowed under a Short Option Advance (SOA) Agreement with the FHLB. These SOA borrowings have a term of ten years, but are callable by the FHLB beginning after a six month or one year lock-out period depending on the particular SOA borrowing. After the expiration of the lock-out period, the SOA borrowings are callable at three month intervals. If the FHLB exercises its call option on a SOA borrowing, the FHLB is required to offer replacement funding to the Company at a market rate of interest for the remaining term of the SOA borrowing. The interest rates on the SOA borrowings ranged from 4.85 percent to 4.94 percent at December 31, 1998 and their possible call dates varied from January 15, 1999 to April 14, 1999. Additionally, under the terms of the SOA Agreement, the Company is not permitted to prepay or otherwise retire a callable SOA borrowing prior to the final maturity date. All advances are secured by first mortgage loans of Matrix Bank and all of its FHLB stock.

9. FEDERAL HOME LOAN BANK OF DALLAS BORROWINGS (CONTINUED)

Matrix Bank has a commitment from the FHLB for advances of approximately \$310,700,000 at December 31, 1998. Matrix Bank adopted a collateral pledge agreement whereby it has agreed to keep on hand, at all times, first mortgages free of all other pledges, liens and encumbrances with unpaid principal balances aggregating no less than 170 percent of the outstanding secured advances from the FHLB. However, in 1999, Matrix Bank has been notified that it will be placed on full blanket status, which will be phased-in during 1999 by 25 percent at each quarter end. Management believes that this decision will not affect Matrix Bank's borrowing capabilities from the FHLB, but will impact where the collateral that secures the FHLB borrowings will be held.

10. INCOME TAXES

The income tax provision consists of the following:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
	(In thousands)		
<S>	<C>	<C>	<C>
Current			
Federal.....	\$ 3,837	\$ 4,108	\$ 1,871
State.....	991	1,053	461
Deferred			
Federal.....	42	(2)	(42)
State.....	6	-	(12)
	\$ 4,876	\$ 5,159	\$ 2,278

</TABLE>

A reconciliation of the provision for income taxes with the expected income taxes based on the statutory federal income tax rate follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Expected income tax provision.....	\$ 4,552	\$ 4,521	\$ 1,988
Effect of federal tax brackets.....	13	-	-
State income taxes.....	660	694	296
Other.....	(349)	(56)	(6)
	\$ 4,876	\$ 5,159	\$ 2,278

</TABLE>

F-20

MATRIX BANCORP, INC.

10. INCOME TAXES (CONTINUED)

Deferred tax assets and liabilities result from the tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes shown below.

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1998	1997
	(IN THOUSANDS)	
<S>	<C>	<C>
Deferred tax assets:		
Allowance for losses.....	\$ 1,383	\$ 475
Discounts and premiums.....	144	106
Amortization of servicing rights.....	-	156
Deferred fees.....	718	328
Delinquent interest.....	215	52

Other.....	30	6
Total deferred tax assets.....	2,490	1,123
Deferred tax liabilities:		
Gain on sale of loans.....	(931)	(732)
Amortization of servicing rights.....	(1,025)	-
Depreciation.....	(526)	(335)
Total deferred tax liabilities.....	(2,482)	(1,067)
Net deferred tax asset.....	\$ 8	\$ 56

</TABLE>

11. REGULATORY

The Company is a unitary thrift holding company and, as such, is subject to the regulation, examination and supervision of the Office of Thrift Supervision (OTS).

Matrix Bank is also subject to various regulatory capital requirements administered by the OTS. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions, actions by regulators that, if undertaken, could have a direct material effect on Matrix Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, Matrix Bank must meet specific capital guidelines that involve quantitative measures of Matrix Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. Matrix Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require Matrix Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital (as defined) to total assets (as defined). Management believes, as of December 31, 1998 and 1997, that Matrix Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 1998, the most recent notification from the OTS categorized Matrix Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized Matrix Bank must maintain

F-21

MATRIX BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. REGULATORY (CONTINUED)

minimum total risk-based, Tier I risk based and Tier I leverage ratios as set forth in the table. There have been no conditions or events since that notification that management believes have changed the institution's category.

<TABLE>
<CAPTION>

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(In thousands)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
As of December 31, 1998						
Total Capital						
(to Risk Weighted Assets).....	\$54,148	11.7%	*\$36,938	*8.0%	*\$46,173	*10.0%
Core Capital						
(to Adjusted Tangible Assets).....	51,163	6.2%	* 32,828	*4.0%	* 41,035	* 5.0%
Tangible Capital						
(to Tangible Assets).....	51,163	6.2%	* 12,310	*1.5%	N/A	
Tier I Capital						
(to Risk Weighted Assets).....	51,163	11.1%	N/A		* 27,704	* 6.0%
As of December 31, 1997						
Total Capital						
(to Risk Weighted Assets).....	29,714	10.8%	* 21,969	*8.0%	* 27,462	*10.0%
Core Capital						
(to Adjusted Tangible Assets).....	27,958	5.7%	* 19,498	*4.0%	* 24,372	* 5.0%

Tangible Capital (to Tangible Assets).....	27,958	5.7%	* 7,312	*1.5%	N/A
Tier I Capital (to Risk Weighted Assets).....	27,958	10.2%	N/A	* 16,477	* 6.0%

</TABLE>

* Denotes greater than or equal to

The various federal banking statutes to which Matrix Bank is subject also include other limitations regarding the nature of the transactions in which it can engage or assets it may hold or liabilities it may incur.

Matrix Bank is required to maintain balances with the Federal Reserve Bank of Dallas in a noninterest-earning account based on a percentage of deposit liabilities. Such balances averaged \$6,860,000 and \$6,897,000 in 1998 and 1997, respectively.

Matrix Bank is required by Federal regulations to maintain a minimum level of liquid assets of four percent. Matrix Bank exceeded the Federal requirement at December 31, 1998 and 1997, respectively.

Matrix Financial is subject to examination by various regulatory agencies involved in the mortgage banking industry. Each regulatory agency requires the maintenance of a certain amount of net worth, the most restrictive of which required \$3,089,000 at December 31, 1998 and \$2,587,000 at December 31, 1997.

12. SHAREHOLDERS' EQUITY

Common Stock

The authorized common stock of the Company consists of 50,000,000 shares with a par value of \$.0001 per share. There were 6,723,911, 6,703,880 and 6,681,031 shares of common stock outstanding at December 31, 1998, 1997 and 1996, respectively. Holders of common stock are entitled to receive dividends when, and if, declared by the board of directors. Each share of common stock entitles the holders thereof to one vote, and cumulative voting is not permitted.

F-22

MATRIX BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. SHAREHOLDERS' EQUITY (CONTINUED)

Preferred Stock

The authorized preferred stock of the Company consists of 5,000,000 shares with a par value of \$.0001 per share. The board of directors is authorized, without further action of the shareholders of the Company, to issue from time to time shares of preferred stock in one or more series and with such relative rights, powers, preferences and limitations as the board of directors may determine at the time of issuance. Such shares may be convertible into common stock and may be superior to the common stock in the payment of dividends, liquidation, voting and other rights, preferences and privileges.

Stock Option Plan

The Company has elected to follow APB Opinion No. 25, Accounting for Stock Issued to Employees and related interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under Statement No. 123, Accounting for Stock-Based Compensation, requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB Opinion No. 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

In September 1996, the board of directors and shareholders adopted the 1996 Stock Option Plan, which amended and restated the Company's stock option plan adopted in 1995. The Company's 1996 Stock Option Plan has authorized the grant of options to substantially all of the Company's full-time employees and directors for up to 525,000 shares of the Company's common stock. All options granted have ten year terms and vest based on the determination by the Company's compensation committee.

The 1996 Stock Option Plan authorized the granting of incentive stock options (Incentive Options) and nonqualified stock options (Nonqualified Options) to purchase common stock to eligible persons. The 1996 Stock Option Plan is currently administered by the compensation committee (administrator) of the board of directors. The 1996 Stock Option Plan provides for adjustments to the number of shares and to the exercise price of outstanding options in the event of a declaration of stock dividend or any recapitalization resulting in a

stock split-up, combination or exchange of shares of common stock.

No Incentive Option may be granted with an exercise price per share less than the fair market value of the common stock at the date of grant. The Nonqualified Options may be granted with any exercise price determined by the administrator of the 1996 Stock Option Plan. The expiration date of an option is determined by the administrator at the time of the grant, but in no event may an option be exercisable after the expiration of ten years from the date of grant of the option.

The 1996 Stock Option Plan further provides that in most instances an option must be exercised by the optionee within 30 days after the termination of the consulting contract between such consultant and the Company or termination of the optionee's employment with the Company, as the case may be, if and to the extent such option was exercisable on the date of such termination.

Pro forma information regarding net income and earnings per share is required by Statement No. 123, which also requires that the information be determined as if the Company had accounted for its employee stock options granted subsequent to December 31, 1994 under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1998, 1997 and 1996, respectively: risk-free interest rates of 5.4 percent, 5.7 percent and 6.0 percent; a dividend yield of zero percent; volatility factors of the expected market price of the Company's common stock of .39, .38 and .39; and a weighted-average expected life of the option of four years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

F-23

MATRIX BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. SHAREHOLDERS' EQUITY (CONTINUED)

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
	(Dollars in thousands except per share data)		
<S>	<C>	<C>	<C>
Pro forma net income.....	\$8,256	\$7,960	\$3,534
Pro forma earnings per share:			
Basic.....	1.23	1.19	0.67
Diluted.....	1.20	1.17	0.67

</TABLE>

A summary of the Company's stock option activity, and related information for the years ended December 31 follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					
	1998		1997		1996	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding, beginning of year.....	330,150	\$10.55	209,100	\$ 8.15	79,500	\$ 5.13
Granted.....	63,000	12.96	149,500	14.12	129,600	10.00
Exercised.....	(1,725)	12.25	(2,100)	10.00	-	-
Forfeited.....	(3,725)	14.00	(26,350)	11.93	-	-
Outstanding, end of year.....	387,700	\$10.90	330,150	\$10.55	209,100	\$ 8.15

Exercisable at end of year.....	167,350	\$ 8.49	117,700	\$ 6.75	87,000	\$ 5.55
Weighted average fair value of options granted during the year	\$6.03		\$6.67		\$ 4.06	

Options outstanding at December 31, 1998 have exercise prices ranging from \$5.13 to \$26.50 per share, with a weighted average exercise price of \$10.90 per share, as outlined in the following table:

RANGE OF EXERCISE PRICES	NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	NUMBER OF OPTIONS EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
\$ 5.13	79,500	\$ 5.13	6.00	79,500	\$ 5.13
8.13	25,000	8.13	9.79	-	-
10.00	110,700	10.00	7.83	59,850	10.00
10.38-13.88	74,000	13.20	8.22	14,000	13.17
14.25-17.25	95,500	15.20	8.56	12,500	15.17
26.50	3,000	26.50	9.33	1,500	26.50
	387,700	\$10.90	7.85	167,350	\$ 8.49

Restricted Net Assets

As a result of the regulatory requirements and debt covenants, substantially all of the net assets of the Company are restricted at December 31, 1998 and 1997.

F-24

MATRIX BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. STOCKHOLDERS' EQUITY (CONTINUED)

Warrants

The Company issued warrants exercisable for an aggregate of 75,000 shares of its common stock to its primary underwriters upon the closing of the Company's initial public offering. The warrants are exercisable from time to time during the four years after the one year anniversary of their date of grant, and are not transferable during the first year after their grant. The exercise price for the shares of common stock underlying such warrants is \$12 per share. The shares of common stock underlying such warrants are entitled to certain demand and incidental registration rights.

Employee Stock Purchase Plan

In September 1996, the board of directors and shareholders adopted the Matrix Bancorp, Inc. Employee Stock Purchase Plan (Purchase Plan) and reserved 125,000 shares of common stock (ESPP Shares) for issuance thereunder. The Purchase Plan became effective upon consummation of the initial public offering. The price at which ESPP shares are sold under the Purchase Plan is 85 percent of the lower of the fair market value per share of common stock on the enrollment or the purchase date.

13. COMMITMENTS, CONTINGENCIES AND RELATED PARTY TRANSACTIONS

Leases

The Company leases office space and certain equipment under noncancelable operating leases. Annual amounts due under the office and equipment leases as of December 31, 1998 are approximately as follows:

(In thousands)	
1999.....	\$ 770
2000.....	692
2001.....	599
2002.....	384
2003.....	22

	\$2,467
	=====

Total rent expense aggregated approximately \$955,000, \$631,000 and \$541,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

Hedging of Pipeline

In the ordinary course of business, the Company makes commitments to originate residential mortgage loans (Pipeline) and holds originated loans until delivery to an investor. Inherent in this business is a risk associated with changes in interest rates and the resulting change in the market value of the Pipeline and funded loans. The Company mitigates this risk through the use of mandatory and nonmandatory forward commitments to sell loans. At December 31, 1998, the Company had \$133,724,000 in Pipeline and funded loans offset with mandatory forward commitments of \$110,006,000 and nonmandatory forward commitments of \$10,057,000. At December 31, 1997, the Company had \$72,803,000 in Pipeline and funded loans offset with mandatory forward commitments of \$45,622,000 and nonmandatory forward commitments of \$9,070,000. The inherent value of the forward commitments is considered in the determination of the lower of cost or market for the Pipeline and funded loans.

Hedging of MSRs

Ownership of MSRs exposes the Company to impairment of its value in certain interest rate environments. The incidence of prepayment of a mortgage loan increases during periods of declining interest rates as the homeowner seeks to refinance the loan to a lower interest rate. If the level of prepayment on segments of the Company's mortgage servicing portfolio achieves a level higher than projected by the Company for an extended period of time, then an impairment in the associated basis in the MSRs may occur. To mitigate this risk of impairment due to declining interest rates, the Company hedged a segment of its mortgage servicing portfolio beginning in September 1997. As of December 31, 1998, the Company had identified and

F-25

MATRIX BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. COMMITMENTS, CONTINGENCIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

hedged approximately \$674 million of its mortgage servicing portfolio using a program of exchange traded futures and options.

At December 31, 1998, the Company had the following open options:

<TABLE>
<CAPTION>

	Expiration Date	Open Positions (No. of Contracts)	Notional Amount	Fair Value by Contract
<S>	<C>	<C>	<C>	<C>
Ten year Treasury Note futures.....	March 1999	205	\$20,500,000	\$ (42,656)
Ten year Treasury Note put options.....	February 1999	188	18,800,000	(185,782)
Ten year Treasury Note call options.....	February 1999	157	15,700,000	112,219

</TABLE>

During 1997, the Company closed a portion of its hedge positions which resulted in a realized gain of approximately \$250,000 being recognized in connection with the sale of a portion of the hedged servicing portfolio. At December 31, 1998 the net realized deferred gains and the unrealized deferred losses of the open positions was approximately \$420,000.

Land Development Commitment

In June 1996, the Company purchased 154 acres of land for \$1.3 million in cash for the purpose of developing residential and multi-family lots in Ft. Lupton, Colorado. As part of the acquisition, the Company entered into a Planned Unit Development Agreement (Development Agreement) with the City of Ft. Lupton (City). The Development Agreement is a residential and golf course Development Agreement providing for the orderly planning, engineering and development of a golf course and surrounding residential community. The City is responsible for the development of the golf course and the Company is responsible for the development of the surrounding residential lots and certain offsite infrastructure (estimated at \$1,300,000 as of December 31, 1998). The Development Agreement also provides for the rebate of certain Development Fees, Infrastructure Fees and Storm Drainage Fees from the City to the Company (estimated at \$1,635,000 as of December 31, 1998).

The Development Agreement sets forth a mandatory obligation on the part of the Company to secure future payment to the City of pledged Golf Course Enhancement Fees of \$600,000. These pledged Enhancement Fees require successor homebuilders to pay the City a \$2,000 fee with the issuance of each building

permit. In the event that less than thirty (30) permits are issued per year, the Company is obligated to pay the balance of \$60,000 in assessment fees per year beginning in the year 1998 through the year 2007. The Company, has to date, posted a \$300,000 letter of credit to secure those referenced Enhancement Fees.

The Company also entered into a development management agreement with a local developer to complete the development of the land. The terms of the agreement specify that the Company is to earn a preferred rate of return on its investment and, once the initial amount of its investment plus the preferred rate of return has been paid, the remaining profits are split equally. As of December 31, 1998 and 1997, the Company has included in its basis in the development \$197,000 and \$118,000, respectively, in capitalized interest costs. At December 31, 1998 and 1997, the total basis of the land development is \$4,055,000 and \$2,835,000, respectively, and is classified in other assets in the accompanying consolidated balance sheets.

Financing Agreement

In 1996, the Company purchased \$800,000 of City of Fort Lupton Subordinated Series 1996 A1 revenue anticipation warrants, with interest at 9.75 percent and due December 15, 2015. The warrants are classified as other receivables in the accompanying consolidated balance sheets. The Company entered into an agreement with a bank to sell the warrants, subject to certain repurchase obligations resulting from the bank's annual remarketing of the bonds, with interest at five percent. The Company entered into a letter of credit agreement of \$825,000 to guarantee its repurchase obligation.

Contingencies

The Company is a defendant in a lawsuit that was commenced on or about May 23, 1997 in which the plaintiff-buyer alleges that the Company, as broker for the seller, made false representations regarding the GNMA certification of certain

F-26

MATRIX BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13.COMMITMENTS, CONTINGENCIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

mortgage pools the servicing rights of which were offered for sale in a written offering. The plaintiff further alleges that it relied on the Company's representations in purchasing the servicing rights from the seller. Trial was conducted during the week of July 12, 1998. The jury returned a verdict in favor of the Company on four counts and in favor of the plaintiff on one count and awarded the plaintiff \$75,000. On July 31, 1998, the plaintiff filed a motion for judgment notwithstanding the verdict, or alternatively, a new trial. On November 6, 1998, the court denied the plaintiff's motion. Plaintiff has appealed the court's ruling and the Company is considering an appeal of the \$75,000 award to the plaintiff.

The Company has been named defendant in an action which commenced on or about February 7, 1999. The plaintiff alleges that the Company, as seller of certain mortgage loans to the plaintiff, breached a representation and warranty given to the plaintiff by the Company under the purchase agreement relating to such loans. The action relates to approximately \$700,000 in principal amount of mortgage loans and plaintiff has requested specific performance of the repurchase obligations of the Company under the purchase agreement and/or an unspecified amount of damages.

The Company and its subsidiaries are parties to various other litigation matters, in most cases involving ordinary and routine claims incidental to the business of the Company. The ultimate legal and financial liability of the Company, if any, with respect to the foregoing litigation cannot be estimated with certainty, but the Company believes, based on its examination of such matters, that such ultimate liability will not have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company.

Related Party Transactions

The Company had a note receivable from an affiliate of \$750,000 at December 31, 1997, which bore interest at 13 percent and was due October 1, 2000. In January 1998, the note was paid in full. The Company had leased office space to the affiliate for approximately \$8,500 per month. In January 1998, the space was leased to a third party.

At December 31, 1998, the Company had unsecured loan receivables from an executive officer, a director and a shareholder of \$57,500, \$85,000 and approximately \$80,000, respectively, which all bear interest at the prime rate and are renewable at the Company's option. Due dates on the loan receivables are as follows: \$50,000 due February 15, 1999, \$7,500 due September 29, 1999,

\$85,000 due September 8, 1999 and approximately \$80,000 due December 31, 1999.

The Company occupies office space under a lease agreement expiring June 30, 2001, at a monthly rental payment of \$13,553, in which four officers of subsidiaries of the Company own an equity interest in the lessor.

14. DEFINED CONTRIBUTION PLAN

The Company has a 401(k) defined contribution plan (Plan) covering all employees who have elected to participate in the Plan. Each participant may make pretax contributions to the Plan up to 15 percent of such participant's earnings with a maximum of \$10,000 in 1998. The Company makes a matching contribution of 25 percent of the participant's total contribution. Matching contributions made by the Company vest over six years. The cost of the plan approximated \$162,000, \$116,000 and \$110,000 during the years ended December 31, 1998, 1997 and 1996, respectively.

15. FINANCIAL INSTRUMENTS

Off-Balance Sheet Risk and Concentration of Commitments

The Company is a party to financial instruments with off-balance sheet risk in the normal course of its business. These instruments are commitments to originate or purchase first mortgage loans and forward loan sale commitments (see Note 13) and involve credit and interest rate risk in excess of the amount recognized in the consolidated balance sheet.

Commitments to originate or purchase mortgage loans amounted to approximately \$50,254,000 at December 31, 1998. The Company plans to fund the commitments in its normal commitment period. The Company evaluates each customer's creditworthiness on a case-by-case basis.

F-27

MATRIX BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. FINANCIAL INSTRUMENTS (CONTINUED)

The Company's credit risks comprised the outstanding loans held for sale and loans held for investment as shown in the consolidated balance sheets. The loans are located throughout the United States and are collateralized primarily by a first mortgage on the property.

Fair Value of Financial Instruments

The carrying amounts and estimated fair value of financial instruments are as follows:

<TABLE>
<CAPTION>

	1998		1997	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	(In thousands)			
<S>	<C>	<C>	<C>	<C>
Financial assets:				
Cash.....	\$ 18,665	\$ 18,665	\$ 3,296	\$ 3,296
Interest-earning deposits.....	8,120	8,120	6,337	6,337
Loans held for sale, net.....	754,226	758,279	456,978	459,231
Loans held for investment, net.....	94,222	94,476	54,394	54,975
Federal Home Loan Bank of Dallas stock.....	15,643	15,643	8,700	8,700
Financial liabilities:				
Deposits.....	490,516	492,003	224,982	225,780
Custodial escrow balances.....	96,824	96,824	53,760	53,760
Drafts payable.....	5,423	5,423	7,506	7,506
Payable for purchase of MSRs.....	12,103	12,103	8,660	8,660
Federal Home Loan Bank of Dallas borrowings.....	168,000	171,544	171,943	171,943
Borrowed money.....	178,789	178,789	89,909	89,909

</TABLE>

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

The carrying amounts reported in the balance sheet for cash, interest-earnings deposits, FHLB stock, drafts payable, payable for purchase of MSRs, FHLB borrowings and borrowed money approximate those assets' and liabilities' fair values.

The fair values of loans are based on quoted market prices where available or outstanding commitments from investors. If quoted market prices are not available, fair values are based on quoted market prices of similar loans sold in securitization transactions, adjusted for differences in loan characteristics. The fair value of forward sale commitments are included in the determination of the fair value of loans held for sale.

The fair value disclosed for demand deposits (e.g., interest and noninterest checking, savings, and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected periodic maturities on time deposits. The component commonly referred to as deposit base intangible, was not estimated at December 31, 1998 and 1997 and is not considered in the fair value amount. The fair value disclosed for custodial escrow balances liabilities (noninterest checking) is, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts).

F-28

MATRIX BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. PARENT COMPANY CONDENSED FINANCIAL INFORMATION

Condensed financial information of Matrix Bancorp, Inc. (Parent Company) is as follows:

<TABLE>
<CAPTION>

	1998	December 31, 1997	1996
	(In thousands)		
<S>	<C>	<C>	<C>
CONDENSED BALANCE SHEETS			
Assets:			
Cash.....	\$ 158	\$ 1,459	\$ 45
Other receivables.....	105	1,040	872
Premises and equipment, net.....	2,393	1,481	1,405
Other assets.....	1,601	1,840	507
Investment in and advances to subsidiaries.....	88,791	62,042	36,199
Total assets.....	\$93,048	\$67,862	\$39,028
Liabilities and shareholders' equity:			
Borrowed money (a).....	\$42,275	\$26,002	\$ 6,372
Other liabilities.....	1,419	1,250	386
Total liabilities.....	43,694	27,252	6,758
Shareholders' equity:			
Common stock.....	1	1	1
Additional paid in capital.....	22,416	22,185	21,983
Retained earnings.....	26,937	18,424	10,286
Total shareholders' equity.....	49,354	40,610	32,270
Total liabilities and shareholders' equity.....	\$93,048	\$67,862	\$39,028

</TABLE>

(a) The Parent's debt is set forth below. The Parent also guarantees the revolving warehouse and servicing acquisition loan agreements and the financing related to the direct financing leases to charter schools. See Note 8 for additional information regarding the debt.

<TABLE>
<CAPTION>

	1998	December 31, 1997	1996
	(In thousands)		
<S>	<C>	<C>	<C>
Revolving line of credit.....	\$10,300	\$ -	\$ -
Senior subordinated notes.....	2,910	2,910	2,910
Bank stock loan.....	7,893	1,786	2,003
Note payable to a bank secured by real estate.....	870	895	938
Notes payable secured by MSR's.....	302	411	521
Senior notes.....	20,000	20,000	-
	\$42,275	\$26,002	\$6,372

</TABLE>

As of December 31, 1998, the maturities of term notes payable during the next five years and thereafter are as follows:

	(In thousands)
1999.....	\$ 2,922
2000.....	2,052
2001.....	6,275
2002.....	726
2003.....	-
Thereafter.....	20,000

	\$31,975
	=====

F-29

16. PARENT COMPANY CONDENSED FINANCIAL INFORMATION (CONTINUED)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
	-----	-----	-----
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
CONDENSED STATEMENTS OF INCOME			
Income:			
Interest income on loans.....	\$ 17	\$ 118	\$ 142
Other.....	463	352	130
	-----	-----	-----
Total income.....	480	470	272
Expenses:			
Compensation and employee benefits.....	2,412	1,700	1,344
Occupancy and equipment.....	600	333	299
Interest on borrowed money.....	3,601	1,593	805
Professional fees.....	295	279	138
Other general and administrative (b).....	1,416	1,353	328
	-----	-----	-----
Total expenses.....	8,324	5,258	2,914
	-----	-----	-----
Loss before income taxes and equity income of subsidiaries.....	(7,844)	(4,788)	(2,642)
Income taxes (a).....	--	--	--
	-----	-----	-----
Loss before equity income of subsidiaries.....	(7,844)	(4,788)	(2,642)
Equity income of subsidiaries.....	16,357	12,926	6,212
	-----	-----	-----
Net income.....	\$ 8,513	\$ 8,138	\$ 3,570
	=====	=====	=====

</TABLE>

(a) The Company's tax sharing agreement with its subsidiaries provides that the subsidiaries will pay the Parent an amount equal to its individual current income tax provision calculated on the basis of the subsidiary filing a separate return. In the event a subsidiary incurs a net operating loss in future periods, the subsidiary will be paid an amount equal to the current income tax refund the subsidiary would be due as a result of carryback of such loss, calculated on the basis of the subsidiary filing a separate return. Accordingly, the Parent's condensed statements of income do not include any income tax benefit for the current losses.

(b) The Parent Company has entered into a subaccounting agreement with third parties which require the Parent Company to pay a fee to the third party company for record keeping services performed related to custodial escrow deposits directed by that company and maintained at Matrix Bank. The total amount of the subaccounting fees paid by the Parent Company are approximately \$199,000, \$544,000 and \$-0- for the years ended 1998, 1997 and 1996, respectively.

F-30

16. PARENT COMPANY CONDENSED FINANCIAL INFORMATION (CONTINUED)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
	-----	-----	-----
	(IN THOUSANDS)		

	<C>	<C>	<C>
<S>			
CONDENSED STATEMENTS OF CASH FLOWS			
Cash flows from operating activities:			
Net income.....	\$ 8,513	\$ 8,138	\$ 3,570
Adjustments to reconcile net income to net cash used by operating activities:			
Equity income of subsidiaries.....	(16,357)	(12,926)	(6,212)
Dividend from subsidiaries.....	4,534	2,916	1,843
Depreciation and amortization.....	281	192	127
Increase (decrease) in other liabilities.....	169	864	(78)
Decrease (increase) in other receivables and other assets.....	945	(701)	(133)
Net cash used by operating activities.....	(1,915)	(1,517)	(883)
Investing activities:			
Purchases of premises and equipment.....	(964)	(168)	(88)
Investment in and advances to subsidiaries.....	(14,926)	(15,833)	(16,630)
Net cash used by investing activities.....	(15,890)	(16,001)	(16,718)
Financing activities:			
Repayments of notes payable and revolving line of credit.....	(14,774)	(7,870)	(438)
Proceeds from notes payable and revolving line of credit.....	31,047	7,500	59
Dividends paid by pooled company prior to merger.....	--	--	(201)
Capital contribution by pooled company prior to merger.....	--	--	24
Proceeds from senior notes, net.....	--	19,100	--
Proceeds from issuance of common stock.....	231	202	--
Proceeds from the sale of common stock.....	--	--	18,191
Net cash provided by financing activities.....	16,504	18,932	17,635
Increase (decrease) in cash.....	(1,301)	1,414	34
Cash at beginning of year.....	1,459	45	11
Cash at end of year.....	\$ 158	\$ 1,459	\$ 45

</TABLE>

F-31

MATRIX BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	1998				1997			
	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER
(Dollars in thousands, except per share data)								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Operations								
Net interest income after provision for loan and valuation losses.....	\$ 4,326	\$ 6,445	\$ 4,973	\$ 3,839	\$ 3,863	\$ 3,677	\$ 3,216	\$ 2,258
Noninterest income.....	13,154	11,326	11,346	10,919	10,605	9,069	9,412	8,943
Noninterest expense.....	15,273	13,802	12,630	11,234	10,760	9,057	9,603	8,326
Income before income taxes.....	2,207	3,969	3,689	3,524	3,708	3,689	3,025	2,875
Income taxes.....	762	1,432	1,343	1,339	1,424	1,459	1,155	1,121
Net income.....	\$ 1,445	\$ 2,537	\$ 2,346	\$ 2,185	\$ 2,284	\$ 2,230	\$ 1,870	\$ 1,754
Net Income per Share Data								
Basic.....	\$.22	\$.38	\$.35	\$.33	\$.34	\$.33	\$.28	\$.26
Diluted.....	\$.21	\$.37	\$.34	\$.32	\$.34	\$.33	\$.28	\$.26
Balance Sheet								
Total assets.....	\$1,012,640	\$ 929,607	\$ 834,657	\$ 698,517	\$ 606,745	\$ 525,511	\$502,563	\$422,476
Total loans, net.....	848,448	753,464	696,358	573,586	511,372	426,007	394,537	319,489
Shareholders' equity.....	49,354	47,699	45,158	42,797	40,610	38,124	35,894	34,024

</TABLE>

The net income per share for the first three quarters of 1997 have been

restated to comply with the requirements of Statement No. 128.

18. TRANSACTIONS WITH MCA MORTGAGE CORPORATION

During recent years, the Company entered into several purchase transactions with MCA Mortgage Corporation (MCA), a Michigan-based mortgage banking entity. At December 31, 1998, the Company was carrying approximately \$5,000,000 of residential mortgage loans on its balance sheet that were purchased from MCA on a servicing retained basis. The Company also had an outstanding receivable relating to brokerage and consulting services provided to MCA. In January 1999, the Company learned that MCA was closing its operations. Additionally, in February 1999, the Company learned that MCA had declared bankruptcy and it appeared likely that some of the loans purchased by the Company had been sold multiple times or pledged multiple times as security for repayment of various credit facilities. The Company also discovered that there appeared to be servicing issues relating to some of the purchased loans. The servicing issues consisted of instances in which loans owned by the Company and serviced by MCA had previously paid off, but for which MCA had continued to remit monthly principal and interest, rather than the payoff proceeds. As a result of the above MCA issues, the Company recorded a provision for valuation losses of approximately \$2,200,000 as of December 31, 1998. Additionally, the Company wrote off approximately \$100,000 of accounts receivable and accrued interest relating to MCA as of December 31, 1998.

19. SEGMENTS OF THE COMPANY AND RELATED INFORMATION

The Company has three reportable segments under Statement No. 131: the Company's traditional banking subsidiary, the Company's mortgage banking subsidiary and the Company's servicing brokerage and consulting subsidiaries. The Company's traditional banking subsidiary provides deposit and lending services to its customers and also makes investments in residential mortgage loans and residential MSR's. The Company's mortgage banking subsidiary acquires residential MSR's and services the mortgage loans underlying those MSR's, and in addition, originates residential mortgage loans through its wholesale loan origination offices. The Company's servicing brokerage subsidiary offers brokerage, consulting and risk management services for residential MSR's. The remaining subsidiaries of the Company are included in the "all other" category for purposes of the Statement No. 131 disclosures and consist of the Company's trust operations, real estate disposition services, a broker/dealer and the Parent Company operations.

F-32

MATRIX BANCORP, INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. SEGMENTS OF THE COMPANY AND RELATED INFORMATION (CONTINUED)

The Company evaluates performance and allocates resources based on operating profit or loss before income taxes. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Transactions between affiliates, the resulting revenues of which are shown in the intersegment revenue category, are conducted at market prices (i.e., prices that would be paid if the companies were not affiliates).

For the years ended December 31:

<TABLE>
<CAPTION>

	TRADITIONAL BANKING	MORTGAGE BANKING	SERVICING BROKERAGE AND CONSULTING	ALL OTHERS	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
	(In thousands)				
1998					
Revenues from external customers:					
Interest income.....	\$ 52,445	\$ 8,227	\$ -	\$ 22	\$ 60,694
Noninterest income.....	7,603	22,017	9,993	7,132	46,745
Intersegment revenues.....	(133)	991	501	1,665	3,024
Interest expense.....	24,972	7,895	1	3,636	36,504
Depreciation/amortization.....	1,516	10,334	227	1,005	13,082
Segment profit (loss).....	21,470	(4,725)	4,119	(7,475)	13,389
Segment assets (a).....	821,448	181,883	3,143	28,304	1,034,778
1997					

Revenues from external customers:					
Interest income.....	27,313	4,664	-	172	32,149
Noninterest income.....	6,410	21,623	4,283	5,713	38,029
Intersegment revenues.....	33	1,213	230	1,141	2,617
Interest expense.....	11,812	4,781	1	1,667	18,261
Depreciation/amortization.....	1,344	5,835	214	510	7,903
Segment profit (loss).....	10,290	6,269	1,393	(4,655)	13,297
Segment assets (a).....	486,857	111,228	1,225	24,759	624,069
1996					
Revenues from external customers:					
Interest income.....	12,697	3,653	-	199	16,549
Noninterest income.....	5,107	12,372	4,462	4,646	26,587
Intersegment revenues.....	-	448	169	365	982
Interest expense.....	5,811	3,811	-	868	10,490
Depreciation/amortization.....	428	2,622	72	416	3,538
Segment profit (loss).....	4,635	2,166	1,420	(2,373)	5,848
Segment assets (a).....	196,874	70,880	2,107	16,606	286,467

</TABLE>

(a) See reconciliation to total consolidated assets in the following table.

F-33

MATRIX BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. SEGMENTS OF THE COMPANY AND RELATED INFORMATION (CONTINUED)

	1998	1997	1996
<S>	<C>	<C> (In thousands)	<C>
REVENUES FOR YEAR ENDED DECEMBER 31,			
Interest income for reportable segments.....	\$ 60,672	\$ 31,977	\$ 16,350
Noninterest income for reportable segments.....	39,613	32,316	21,941
Intersegment revenues for reportable segments.....	1,359	1,476	617
Other revenues.....	8,819	7,026	5,210
Elimination of intersegment revenues.....	(3,024)	(2,617)	(982)
Total consolidated revenues.....	107,439	70,178	43,136
PROFIT OR LOSS FOR YEAR ENDED DECEMBER 31,			
Total profit or loss for reportable segments.....	20,864	17,952	8,221
Other profit or loss.....	(7,367)	(4,531)	(2,373)
Adjustment to intersegment profit (loss) in consolidation.....	(108)	(124)	-
Income before income tax.....	13,389	13,297	5,848
ASSETS AS OF DECEMBER 31,			
Total assets for reportable segments.....	1,006,474	599,310	269,861
Other assets.....	28,304	24,759	16,606
Elimination of intercompany receivables.....	(21,905)	(17,200)	(11,908)
Other eliminations.....	(233)	(124)	-
Total consolidated assets.....	1,012,640	606,745	274,559
OTHER SIGNIFICANT ITEMS FOR THE YEAR ENDED DECEMBER 31,			
Depreciation/amortization expense:			
Segment totals.....	12,077	7,393	3,122
Adjustments.....	1,005	510	416
Consolidated totals.....	13,082	7,903	3,538
Interest expense:			
Segment totals.....	32,868	16,594	9,622
Adjustments.....	3,636	1,667	868

</TABLE>

F-34

INDEX TO EXHIBITS

<TABLE>

<CAPTION>

<S>	<C>	<C>
3.1	*	Amended and Restated Articles of Incorporation of the Registrant
3.2	+	Bylaws, as amended, of the Registrant (3.2)
4.1	@	Indenture by and among the Registrant and First Trust National Association, as trustee, relating to 11.50% Senior Notes due 2004 (4.1)
4.2	+	Specimen certificate for Common Stock of the Registrant (4.1)
4.3	+	Amended and Restated 1996 Stock Option Plan (4.2)
4.4	***.	Employee Stock Purchase Plan, as amended (4.4)
4.5	+	Form of Common Stock Purchase Warrant by and between the Registrant and Piper Jaffray, Inc. (4.4)
4.6	+	Form of Common Stock Purchase Warrant by and between the Registrant and Keefe, Bruyette & Woods, Inc. (4.5)
10.1	+	Note and Agency Agreement, dated as of August 1, 1995, by and between the Registrant and PHS Mortgage, Inc. as agent (10.1)
10.2	+	First Amendment to Note and Agency Agreement, dated as of August 2, 1995, by and between the Registrant and PHS Mortgage, Inc., as agent (10.2)
10.3	+	Form of 13% Senior Subordinated Note (10.3)
10.4	+	Executive Employment Agreement, dated as of January 1, 1996, by and between the Registrant and David Kloos (10.4)
10.5	+	Employment Agreement, dated as of January 1, 1995, between Matrix Capital Bank and Gary Lenzo and as amended January 1, 1996 (10.5)
10.6	+	Multiple Advance Term Loan Agreement, dated as of June 27, 1994, by and between Matrix Capital Corporation and CorTrust Bank (10.8)
10.7	+	Multiple Advance Fixed Rate Term Loan Promissory Note, dated as of June 30, 1994, from Matrix Capital Corporation, as maker, to CorTrust Bank, as payee (10.9)
10.8	+	Mortgage Loan Purchase and Servicing Agreement, dated as of August 1, 1993, by and between Argo Federal Savings Bank, FSB, and Matrix Financial Services Corporation (10.11)
10.9	+	Multiple Advance Fixed Rate Term Loan Promissory Note, dated as of October 19, 1994, from Matrix Capital Corporation, as maker, to CorTrust, as payee (10.29)
10.10	+	Assignment and Assumption Agreement, dated as of June 28, 1996, by and among Mariano C. DeCola, William M. Howdon, R. James Nicholson and Matrix Funding Corp. (10.30)
10.11	+	Development Management Agreement, dated as of June 28, 1996, by and among Fort Lupton, L.L.C. and Matrix Funding Corp. (10.31)
10.12	*	Coyote Creek Planned Unit Development Agreement, dated as of July 1, 1998, by and among Fort Lupton, L.L.C. and Matrix Funding Corp.
10.13	*.	Employment Agreement Addendum of Gary Lenzo, dated December 16, 1998
10.14	*	Promissory Note, dated as of December 31, 1998, from D. Mark Spencer, as maker, to the Registrant, as payee
10.15	+	Fort Lupton Golf Course Residential and Planned Unit Development Agreement, dated as of November 28, 1995 (10.36)
10.16	+	Loan Agreement, dated as of June 21, 1996, by and between Matrix Funding Corporation and The First Security Bank (10.41)
10.17	+	Loan Agreement, dated as of June 29, 1995, by and between the Registrant and Bank One, Arizona, N.A. (10.42)
10.18	+	Promissory Note, dated as of June 29, 1995, from the Registrant to Bank One, Arizona, N.A. (10.43)
10.19	+	Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of June 29, 1995, from the Registrant to Arizona Trust Deed Corporation, as trustee (10.44)
10.20	*	Fourth Modification Agreement to the Loan Agreement, dated February 28, 1999, by and between The Registrant and Bank One, Arizona, N.A.
10.21	+	Loan Agreement, dated July 10, 1992, by and between American Strategic Income Portfolio Inc. and Matrix Financial Services Corporation (10.45)
10.22	+	Promissory Note, dated as of July 10, 1992, by Matrix Financial Services Corporation, as maker, to American Strategic Income Portfolio, Inc., as payee (10.46)
10.23	**	Revolving Subordinated Loan Agreement, dated as of October 18, 1996, by and between Matrix Financial Services Corporation and the Registrant (10.31)

- 10.24 ** Amended and Restated Loan Agreement, dated as of January 31, 1997, by and between Matrix Financial Services Corporation, as borrower, and Bank One, Texas, N.A., as agent, and certain lenders, as lenders (10.32)
- 10.25 ** Amended and Restated Swing Note, dated as of January 31, 1997, from Matrix Financial Services Corporation, as borrower to the lenders under the Amended and Restated Loan Agreement (10.34)

</TABLE>

II-1

- 10.26 ** Amended and Restated Guaranty, dated as of January 31, 1997, from the Registrant to Bank One, Texas, N.A., as agent (10.37)
- 10.27 *** Third Amendment to Amended and Restated Loan Agreement, dated as of March 1, 1998, between Matrix Financial Services Corporation, as borrower, Bank One, Texas, N.A., as agent, and certain lenders, as lenders (10.39)
- 10.28 *** Overline Note, dated as of March 1, 1998, from Matrix Financial Services Corporation, as borrower, to Bank One, Texas, N.A., as lender (10.40)
- 10.29 ## Fourth Amendment to Amended and Restated Loan Agreement, dated as of May 27, 1998, between Matrix Financial Services Corporation, as borrower, Bank One, Texas, N.A., as agent, and certain lenders, as lenders (10.6)
- 10.30 ## Fifth Amendment to Amended and Restated Loan Agreement, dated as of June 26, 1998, between Matrix Financial Services Corporation, as borrower, Bank One, Texas, N.A., as agent, and certain lenders, as lenders (10.7)
- 10.31 * Sixth Amendment to Amended and Restated Loan Agreement, dated as of October 31, 1998, between Matrix Financial Services Corporation, as borrower, Bank One, Texas, N.A., as agent, and certain lenders, as lenders
- 10.32 * Seventh Amendment to Amended and Restated Loan Agreement, dated as of January 28, 1999, between Matrix Financial Services Corporation, as borrower, Bank One, Texas, N.A., as agent, and certain lenders, as lenders
- 10.33 * Eighth Amendment to Amended and Restated Loan Agreement, dated as of February 12, 1999, between Matrix Financial Services Corporation, as borrower, Bank One, Texas, N.A., as agent, and certain lenders, as lenders
- 10.34 * Ninth Amendment to Amended and Restated Loan Agreement, dated as of February 22, 1999, between Matrix Financial Services Corporation, as borrower, Bank One, Texas, N.A., as agent, and certain lenders, as lenders
- 10.35 * Warehouse Note, dated as of February 22, 1999, from Matrix Financial Services Corporation, as borrower, to Bank One, Texas, N.A., as lender
- 10.36 * Warehouse Note, dated as of February 22, 1999, from Matrix Financial Services Corporation, as borrower, to U.S. Bank National Association, as lender
- 10.37 * Warehouse Note, dated as of February 22, 1999, from Matrix Financial Services Corporation, as borrower, to Residential Funding Corporation, as lender
- 10.38 * Amended and Restated Term-Line Note, dated as of February 22, 1999, from Matrix Financial Services Corporation, as borrower, to Bank One, Texas, N.A., as lender
- 10.39 * Amended and Restated Term-Line Note, dated as of February 22, 1999, from Matrix Financial Services Corporation, as borrower, to U.S. Bank National Association, as lender
- 10.40 * Amended and Restated Term-Line Note, dated as of February 22, 1999, from Matrix Financial Services Corporation, as borrower, to Residential Funding Corporation, as lender
- 10.41 * Amended and Restated Working-Capital Note, dated as of February 22, 1999, from Matrix Financial Services Corporation, as borrower, to Bank One, Texas, N.A., as lender
- 10.42 * Amended and Restated Working-Capital Note, dated as of February 22, 1999, from Matrix Financial Services Corporation, as borrower, to U.S. Bank National Association, as lender
- 10.43 * Amended and Restated Working-Capital Note, dated as of February 22, 1999, from Matrix Financial Services Corporation, as borrower, to Residential Funding Corporation, as lender
- 10.44 **. Employment Agreement, dated as of February 4, 1997, by and between the Registrant and Paul Skretny (10.38)
- 10.45 **. Credit Agreement, dated as of March 12, 1997, by and between Matrix Capital Corporation, as borrower, and Bank One, Texas, N.A., as agent, and certain lenders, as lenders (10.39)
- 10.46 **. Guaranty Form, dated as of March 12, 1997, from each of the Registrant's significant subsidiaries to Bank One, Texas, N.A., as agent (10.42)
- 10.47 # Second Amendment to Credit Agreement, dated as of September 23, 1997, between Matrix Capital Corporation, as borrower,

- and Bank One, Texas, N.A., as agent, and certain lenders, as lenders (10.1)
- 10.48 # Third Amendment to Credit Agreement, dated as of March 12, 1998, between Matrix Capital Corporation, as borrower, and Bank One, Texas, N.A., as agent, and certain lenders, as lenders (10.2)
- 10.49 ## Fourth Amendment to Credit Agreement, dated as of June 29, 1998, between Matrix Capital Corporation, as borrower, and Bank One, Texas, N.A., as agent, and certain lenders, as lenders (10.1)
- 10.50 ## Term Note, dated as of June 29, 1998, from Matrix Capital Corporation, as borrower, to U.S. Bank National Association, as lender (10.2)
- 10.51 ## Term Note, dated as of June 29, 1998, from Matrix Capital Corporation, as borrower, to Bank One, Texas, N.A., as lender (10.3)
- 10.52 ## Revolving Note, dated as of June 29, 1998, from Matrix Capital Corporation, as borrower, to U.S. Bank

II-2

- 10.53 ## National Association, as lender (10.4)
Revolving Note, dated as of June 29, 1998, from Matrix Capital Corporation, as borrower, to Bank One, Texas, N.A., as lender (10.5)
- 10.54 * Fifth Amendment to Credit Agreement, dated as of November 12, 1998, between Matrix Capital Corporation, as borrower, and Bank One, Texas, N.A., as agent, and certain lenders, as lenders
- 10.55 * Sixth Amendment to Credit Agreement, dated as of January 29, 1999, between Matrix Capital Corporation, as borrower, and Bank One, Texas, N.A., as agent, and certain lenders, as lenders
- 10.56 ***. Agreement, dated October 1, 1997, with T. Allen McConnell (10.37)
- 10.57 +++ Agreement and Plan of Merger, dated as of March 25, 1998, among Fidelity National Financial, Inc., MCC Merger, Inc. and Matrix Capital Corporation (99.2)
- 10.58 * Promissory Note, dated as of February 15, 1999, from Thomas P. Cronin, as maker, to the Registrant, as payee
- 10.59 ### Merger Termination Agreement between Matrix Capital Corporation, Fidelity National Financial, Inc., and MCC Merger Sub, Inc., dated August 28, 1998 (10.1)
- 10.60 * Promissory Note, dated as of September 30, 1998, from Thomas P. Cronin, as maker, to the Registrant, as payee
- 21 * Subsidiaries of the Registrant
- 23 * Consent of Ernst & Young LLP
- 27 * Financial Data Schedule

* Filed herewith

+ Incorporated by reference from the exhibit number shown in parenthesis from the Registrant's registration statement on Form S-1 (No. 333-10223), filed by the Registrant with the Commission.

++ Incorporated by reference from the exhibit number shown in parenthesis from the Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 1997, filed by the Registrant with the Commission.

+++ Incorporated by reference from the exhibit number shown in parenthesis from the Registrant's report on Form 8-K, filed by the Registrant with the Commission on April 8, 1998.

@ Incorporated by reference from the exhibit number shown in parenthesis from the Registrant's registration statement on Form S-1 (No. 333-34977), filed by the Registrant with the Commission.

** Incorporated by reference from the exhibit number shown in parenthesis from the Registrant's annual report on Form 10-K for the fiscal year ended December 31, 1996, filed by the Registrant with the Commission.

*** Incorporated by reference from the exhibit number shown in parenthesis from the Registrant's annual report on Form 10-K for the fiscal year ended December 31, 1997, filed by the Registrant with the Commission.

Incorporated by reference from the exhibit number shown in parenthesis from the Registrant's quarterly report on Form 10-Q for the quarter ended March 31, 1998, filed by the Registrant with the Commission.

Incorporated by reference from the exhibit number shown in parenthesis from the Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 1998, filed by the Registrant with the Commission.

Incorporated by reference from the exhibit number shown in parenthesis from

the Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 1998, filed by the Registrant with the Commission.

. Management contract or compensatory plan or arrangement

II-3

Secretary of State
Corporations Section

FOR OFFICE USE ONLY

MUST BE TYPED
FILING FEE: \$25.00
MUST SUBMIT TWO COPIES

Please include a typed
self-addressed envelope

ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION

Pursuant to the provisions of the Colorado Business Corporation Act, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

FIRST: The name of the corporation is Matrix Capital Corporation

SECOND: The following amendment to the Articles of Incorporation was adopted on May 1, 1998, as prescribed by the Colorado Business Corporation Act, in the manner marked with an "X" below:

_____ No shares have been issued or Directors Elected - Action by Incorporators

_____ No shares have been issued but Directors Elected - Action by Directors

_____ Such amendment was adopted by the board of directors where shares have been issued and shareholder action was not required.

X

Such amendment was adopted by a vote of the shareholders. The number of shares voted for the amendment was sufficient for approval.

THIRD: If changing corporate name, the new name of the corporation is Matrix Bancorp, Inc.

FOURTH: The manner, if not set forth in such amendment, in which any exchange, reclassification, or cancellation of issued shares provided for in the amendment shall be effected, is as follows:

If these amendments are to have a delayed effective date, please list that date:

(Not exceed ninety (90) days from the date of filing)

Signature /s/ Allen McConnell

Title Senior Vice President

[LETTERHEAD OF STATE OF COLORADO]

April 27, 1998

Peter G. Weinstock
Jenkins & Gilchrist
1445 Ross Avenue, Suite 3200
Dallas, TX 75202

RE: Matrix Bancorp, Inc.
Request to Use the Word "Bancorp"

Dear Mr. Weinstock:

The Colorado Division of Banking (Division) has considered the request by Matrix Capital Corporation to file corporate documents with the Colorado Secretary of State using the name Matrix Bancorp, Inc. for an organization that is not a Colorado chartered commercial bank. The name is to be used initially as an assumed name and then as a change to the corporate name. Acting under the authority delegated by the Colorado State Banking Board, the Division has no objection to the request to use the word "BANCORP" in this manner in the filing.

The Division's determination is based on the representations(s) that Matrix Capital Corporation is a unitary holding company that operates various financial entities in several states including Colorado.

This determination does not constitute Division approval for any activities other than the filing described above. Specifically, the Division has not approved this organization to engage in the banking business, other than as a unitary holding company, or to hold itself out to the public as a bank.. Nor has the Division approved use of the word "BANCORP" in any other manner.

In taking this action, the Division relied on representations and information supplied by you and your client. Should there be a substantive change in any of the information provided, the Division staff should be notified at once. All information submitted with the request will be retained in the Division's file.

Sincerely,

FOR: COLORADO STATE BANKING BOARD

/s/

Richard J. Fulkerson
State Bank Commissioner

FILING FEE: \$10.00
MUST SUBMIT TWO COPIES

Please include a typed
self-addressed envelope

Mail to: Secretary of State
Corporations Section
1560 Broadway, Suite 200
Denver, CO 80202
(303) 894-2251
Fax (303) 894-2242

CERTIFICATE OF
ASSUMED OR TRADE NAME

For office use only

Matrix Bancorp, Inc., a corporation formed under the laws of the State of Colorado, being desirous of transacting a portion of its business under an assumed or trade name as permitted by 7-71-101, Colorado Revised Statutes, hereby certifies:

1. The location of its principal office is: 1380 Lawrence Street, Suite 1410, Denver, Colorado 80204.
2. The name, other than its own, under which business is carried on is: Matrix Bancorp.
3. A brief description of the kind of business transacted under such assumed or trade name is: a specialized financial service company.

MATRIX BANCORP, INC.

By /s/

T. Allen McConnell,
Senior Vice President

[LETTERHEAD OF STATE OF COLORADO]

April 27, 1998

Peter G. Weinstock

Jenkins & Gilchrist
1445 Ross Avenue, Suite 3200
Dallas, TX 75202

RE: Matrix Bancorp, Inc.
Request to Use the Word "Bancorp"

Dear Mr. Weinstock:

The Colorado Division of Banking (Division) has considered the request by Matrix Capital Corporation to file corporate documents with the Colorado Secretary of State using the name Matrix Bancorp, Inc. for an organization that is not a Colorado chartered commercial bank. The name is to be used initially as an assumed name and then as a change to the corporate name. Acting under the authority delegated by the Colorado State Banking Board, the Division has no objection to the request to use the word "BANCORP" in this manner in the filing.

The Division's determination is based on the representations(s) that Matrix Capital Corporation is a unitary holding company that operates various financial entities in several states including Colorado.

This determination does not constitute Division approval for any activities other than the filing described above. Specifically, the Division has not approved this organization to engage in the banking business, other than as a unitary holding company, or to hold itself out to the public as a bank.. Nor has the Division approved use of the word "BANCORP" in any other manner.

In taking this action, the Division relied on representations and information supplied by you and your client. Should there be a substantive change in any of the information provided, the Division staff should be notified at once. All information submitted with the request will be retained in the Division's file.

Sincerely,

FOR: COLORADO STATE BANKING BOARD

/s/

Richard J. Fulkerson
State Bank Commissioner

FOR OFFICE USE ONLY

SECRETARY OF STATE
CORPORATION SECTION

Please include a typed
self-addressed envelope

MUST BE TYPED
FILING FEE: \$60.00
MUST SUBMIT TWO COPIES

RESTATED ARTICLES OF
INCORPORATION WITH AMENDMENTS

Pursuant to the provisions of the Colorado Business Corporation Act, the undersigned corporation adopts the following amended and restated Articles of Incorporation. These articles correctly set forth the provisions of the Articles of Incorporation, as amended, and supersede the original Articles of Incorporation and all amendments thereto.

FIRST: The name of the corporation is Matrix Capital Corporation

SECOND: The following amended and restated Articles of Incorporation were adopted in the manner marked with an "X" below:

_____ The amended and restated Articles of Incorporation were adopted by the board of directors where no shares have been issued, or no shareholder action required.

X

The amended and restated Articles of Incorporation were adopted by a vote of the shareholders. The number of shares voted for the amended and restated Articles of Incorporation was sufficient for approval.

_____ The amended and restated Articles of Incorporation were adopted by the incorporators where no shares have been issued or directors elected, or no shareholder action required.

THIRD: The name of the corporation as amended is Not applicable - name did

not change

ATTACH A COPY OF YOUR AMENDED AND RESTATED ARTICLES OF
INCORPORATION

MATRIX CAPITAL CORPORATION

Signature /s/ Guy A. Gibson

Title President

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF

MATRIX CAPITAL CORPORATION

Pursuant to the Colorado Business Corporation Act, the undersigned corporation adopts the following Amended and Restated Articles of Incorporation:

FIRST: The name of the corporation is Matrix Capital Corporation (the "Corporation").

SECOND: The Corporation is organized for any legal and lawful purpose pursuant to the Colorado Business Corporation Act (the "CBCA").

THIRD: The aggregate number of shares which the Corporation shall have the authority to issue is 50,000,000 shares of common stock, par value \$.0001 per share, and 5,000,000 shares of preferred stock, par value \$.0001 per share. The Board of Directors is authorized by resolution to divide said preferred stock into series, to fix the number of shares of any series of preferred stock and to determine or alter the rights, preferences, privileges, and restrictions granted to or imposed upon any wholly unissued series of preferred stock and, within the limits and restrictions stated in any resolution or resolutions of the Board of Directors originally fixing the number of shares constituting a series of preferred stock, to decrease the authorized number of shares within such series (but not below the number of shares in any such series then outstanding).

FOURTH: No shareholder shall have the right to cumulate his or her votes in an election of directors or for any other matter(s) to be voted upon by the shareholders of the Corporation.

FIFTH: No shareholder shall have a preemptive right to acquire any shares or securities of any kind, whether now or hereafter authorized, which may at any time be issued, sold or offered for sale by the Corporation.

SIXTH: The address of the registered office of the Corporation is 1675 Broadway, Denver, Colorado 80202; and the name of its registered agent at such address is THE CORPORATION COMPANY.

SEVENTH: The address of the initial principal place of business of the Corporation is 1380 Lawrence Street, Suite 1410, Denver, Colorado 80204.

EIGHTH: The number of directors constituting the initial board of directors of the Corporation at the time of its incorporation was four (4) and the name and address of the persons who, after incorporation, served as directors until the first annual meeting of shareholders were:

D. Mark Spencer
1380 Lawrence Street, Suite 1410
Denver, Colorado 80204

Thomas M. Piercy
1380 Lawrence Street, Suite 1410
Denver, Colorado 80204

Richard V. Schmitz
1380 Lawrence Street, Suite 1410
Denver, Colorado 80204

Guy A. Gibson
1380 Lawrence Street, Suite 1410
Denver, Colorado 80204

The number of persons to serve on the Board of Directors shall be hereafter fixed by the Bylaws of the Corporation.

The Board of Directors, other than those who may be elected by the holders of any class or series of stock having preference over the Common Stock as to dividends or upon liquidation, shall be divided, with respect to the time during which they shall hold office, into three classes as nearly equal in number as possible, with the initial term of office of the Class I directors expiring at the annual meeting of shareholders to be held in 1997, of the Class II directors expiring at the next succeeding annual meeting of shareholders, and of the Class III directors expiring at the second succeeding annual meeting, with all such directors to hold office until their successors are elected and qualified. Any increase or decrease in the number of directors shall be apportioned by the Board of Directors so that all classes of directors shall be as nearly equal in number as possible. At each annual meeting of shareholders, directors chosen to succeed those whose terms then expire shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election and until their successors are duly elected and qualified.

NINTH: The name and address of the incorporator is:

Norman C. Storey
40 North Central, Suite 2700
Phoenix, Arizona 85004

TENTH: The officers, directors and employees of the Corporation shall be indemnified to the maximum extent permitted by Article 109 of the CBCA, as the same may be amended from time to time. Any repeal or modification of this Article Tenth by the shareholders of the Corporation shall be prospective only, and shall not adversely affect any indemnification obligation of the Corporation existing at the time of such repeal or modification.

ELEVENTH: Nominations for the election of directors may be made by the Board of Directors or a committee appointed by the Board of Directors or by any shareholder entitled to vote in the election of directors generally. However, a shareholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if written notice of such shareholder's intent to make such nomination or nominations has been delivered to or mailed and received by the Secretary of the Corporation at the principal executive offices of the Corporation not later than (A) with

respect to an election to be held at an annual meeting of shareholders, ninety (90) days prior to the date one year after the immediately preceding annual meeting of shareholders, and (B) with respect to an election to be held at a special meeting of shareholders, the close of business on the tenth (10th) day following the date on which notice of such meeting is first given to shareholders. Each such notice shall set forth: (i) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (ii) a representation that the shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (iv) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the Board of Directors; and (v) the consent of each nominee to serve as a director of the Corporation if so elected. The presiding officer at the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

TWELFTH: At an annual meeting of the shareholders, only such business shall be conducted as shall have been brought before the meeting (A) by or at the direction of the Board of Directors or (B) by any shareholder of the Corporation who complies with the notice procedures set forth in this Article Twelfth. For business to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, not less than twenty (20) days nor more than fifty

(50) days prior to the meeting; provided, however, that in the event that less than thirty (30) days' notice or prior public disclosure of the date of the meeting is given or made to the shareholders, notice by the shareholder to be timely must be received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. A shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the annual meeting the following information: (i) a brief description of the business proposed to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (ii) the name and address, as they appear on the Corporation's books, of the shareholder proposing such business; (iii) the number of shares of the Corporation which are beneficially owned by the shareholder; and (iv) any material interest of the shareholder in such business. The presiding officer at an annual meeting shall, if he determines the facts so warrant, determine and declare to the meeting that the business was not properly brought before the meeting and in accordance with the provisions of this Article Twelfth. Upon such determination and declaration, the business not properly brought before the meeting shall not be transacted.

Notwithstanding the foregoing provisions of this Article Twelfth, a shareholder seeking to have a proposal included in the Corporation's proxy statement shall comply with the requirements of Regulation 14A under the Securities Exchange Act of 1934, as amended.

THIRTEENTH: No director of the Corporation shall be personally liable to the Corporation or any of its shareholders for damages for breach of fiduciary duty as a director involving any act or omission of any of such director except, that the foregoing provision shall not eliminate the liability of a director to the Corporation or to its shareholders for monetary damages for any breach of the director's duty of loyalty to the Corporation or to its shareholders, acts or omissions not in good faith or which invoke intentional misconduct or a knowing violation of law, acts specified in Section 7-108-403 of the CBCA, or any transaction from which the director directly or indirectly derived an improper personal benefit. Neither the amendment nor repeal of this Article Thirteenth, nor the adoption of any provision of the Articles of Incorporation inconsistent with this Article Thirteenth shall eliminate or reduce the effect of this Article Thirteenth with respect to any matter occurring, or any cause of action, suit or claim that, but for this Article Thirteenth would accrue or arise, prior to such amendment, repeal or adoption of any inconsistent provision.

FOURTEENTH: A vote of the majority of shares entitled to be cast with respect to the following matters shall be required before the matter shall have been approved by the shareholders of the Corporation:

(i) amendment of the Corporation's Articles of Incorporation, as contemplated in Section 7-110-103 of the CBCA;

(ii) approval of a plan of merger or share exchange, as contemplated in Section 7-111-103 of the CBCA;

(iii) approval of the sale, lease, exchange, or other disposition, of all, or substantially all, of the Corporation's property, with or without goodwill, otherwise than in the usual and regular course of business of the Corporation, as contemplated in Section 7-112-102(I) of the CBCA;

(iv) approval of a proposal to dissolve the Corporation, as contemplated in Section 7-114-102 of the CBCA; and

(v) approval of a proposal to revoke the dissolution of the Corporation, as contemplated in Section 7-114-104 of the CBCA.

IN WITNESS WHEREOF, the undersigned has duly executed these Amended and Restated Articles of Incorporation as of the 20th day of September, 1996.

MATRIX CAPITAL CORPORATION

Signature /s/

Title Guy A. Gibson , President

COYOTE CREEK PLANNED UNIT DEVELOPMENT AGREEMENT

The Parties: Matrix Funding Corp., ("the Developer").

City of Fort Lupton, Colorado, a statutory Municipal Corporation,
("the City").

The Project: A public golf course ("the course") being built and to be operated by the Golf Course Enterprise of the City, geographically integrated with a residential community (the "PUD") owned by the Developer, sharing the name "Coyote Creek".

The prior agreement: The FORT LUPTON GOLF COURSE RESIDENTIAL AND PLANNED UNIT DEVELOPMENT AGREEMENT, between these parties and others, dated November 28, 1995 including subsequent amendments.

COME NOW the parties, for valuable consideration, and with full authority in the signatories hereto, agree as follows:

1. This agreement is a renegotiation of the prior agreement, and is intended to set forth the entire understanding of the parties. It is, however, based on the prior agreement, and it may be referred to for historical perspective. Any breach related to timing or performance of the prior agreement by either party is waived and released so that the parties may embark on this new agreement without any past delay issues, however, responsibility for yet undiscovered latent construction defects on the PUD improvements is not waived. This new agreement represents the parties desire to successfully complete the project.
2. The Developer is the successor in interest to FORT LUPTON L.L.C.. HI-VIEW FARMS and AIMS FARM no longer have any ownership interest in the PUD and therefore are not parties to this agreement.
3. At this time, the parties have exchanged the parcels of land identified in the original agreement and the parties have cooperated to complete the design of the course and construction is underway.

General. Consistent with the Parties' commitment to parcelize the Course

and the PUD Property, the Golf Course Enterprise is building an 18-hole regulation play golf course, including clubhouse, driving range, maintenance facilities, irrigation systems and all related amenities and appurtenances. Said course shall be a public golf course, to be funded and operated by the City Golf Course Enterprise. The Developer shall make a good faith effort to continue to cooperate and coordinate its necessary and required efforts to effect the development of the Golf Course by the Golf Course Enterprise. The City intends to complete and open the golf course on or before May 1, 1999.

Project Management. The Golf Course Enterprise shall use its best efforts

to assure full cooperation and coordination on all earthwork, utility and drainage issues affecting the Golf Course and the PUD.

1

In accordance with the intentions for the Golf Course Drainage Master Plan and the overall PUD Drainage Master Plan, storage ponds for irrigation, and/or aquifer recharge shall be located wholly on the Golf Course Parcels. The Parties agree the ponds shall be designed to reasonably prevent and minimize any potential damage to the residential subdivision. The Parties agree neither the City nor the Golf Course Enterprise is an assurer or insurer for damage to the Developer's land, but the Golf Course Enterprise and Developer will use its best efforts to minimize foreseeable events and to design adequately sized drainage facilities.

Golf Course crossings of local or collector streets shall be "at-grade." Such crossings shall be maintained by the Golf Course Enterprise and Developer shall be indemnified against future accidents or claims by the Golf Course Enterprise.

The Golf Course Enterprise and Developer will cooperate in the promotion and marketing of the proposed Golf Course and surrounding residential community.

Anticipation Warrants, totaling approximately \$5,900,000. Developer will use his best efforts to assist the Golf Course Enterprise in expediting all warrant ordinances, disclosure statements and other documents necessary, proper and critical to the ongoing efforts.

To help secure the financial viability of the Golf Course warrant issuance, to reinforce the Trust Indenture, and to eliminate individual plat sureties otherwise required, if any, Developer agrees to a commitment letter for an Irrevocable Letter of Credit ("LOC") in the amount of \$600,000 from a financial institution. The LOC secures the Developer's payment of certain Enhancement Fees, more particularly described in Section 18A.

4. The mountain water project (Colorado Big Thompson) has been successfully completed and the City has sufficient water and sewer capacity to serve 500 SFE's in the project within four years (with no more than 200 units per year) and an additional 250 after that initial four year period. The sewer lift station and the high zone pump station have been successfully completed by the City and are ready to serve the project.
5. The project has been surveyed and a topography map has been prepared, with the overall PUD being approved based on those final plans. A Subdivision Improvement Agreement (SIA) has been approved by the City for the first filing and such improvements to that parcel of the PUD are underway. SIA's shall be required for each final plat hereafter.
6. All the studies included in the prior agreement, Section 1.3, either have been done or will be accomplished in due course.
7. The Developer's water rights associated with the PUD shall be conveyed to the City by Quit Claim Deed, if that has not already been accomplished. These water rights are not substitute for the City water rights requirements for fees for Colorado Big Thompson (CBT) and related water rights purchases described in the Section 13-122(e) of the Fort Lupton Municipal Code (FLMC). The developer shall not be required to dedicate

2

additional water rights in the future, unless the number of residential units on the property is increased beyond the maximum now approved of 750.

8. The preliminary and final plats for the first individual PUD parcel has been approved, and will remain enforceable by both parties. Each subsequent PUD parcel, pursuant to Section 2.2.d of the prior agreement, shall be subject to the review process set forth in the FLMC, including public hearings before the Planning Commission and City Council, within the specifications already approved for the overall PUD. However, Final Construction Plans (FCP) for individual site plans and/or plats will not be a prerequisite for Final Plat Approval. Instead, the Engineer for the City will review and approve the FCP and said public improvements shall be constructed within two years from the date of the construction plan approval, or the plans will be subject to resubmittal and reapproval.
9. The Parties agree the Developer shall have the ability and flexibility to introduce a variety of subdivision themes and innovations, including reduced street sections (local and collector), off-street parking, urban or rural drainage features, special street lighting and signage, alternating or no sidewalks or other design features which will provide unique and marketable themes for the project. The said PUD themes and innovations are to be filed with the Planning Commission and City Council on a plat-by-plat basis, and shall be permitted so long as they are consistent with the intent of this Agreement and the approved PUD Plan.

The Parties agree the total units developed in a given parcel shall not exceed the designated limits by more than twenty percent (20%). The allocation adjustment shall be permitted by density transfers from one or more development parcels identified in the PUD. The PUD shall provide that such transfers are regularly accounted for by City planning staff and Developer. Density transfers may accompany a given final plat submittal.

The Parties agree the Developer or Developer's successor/builders may obtain building permits in a specific filing prior to completion and City acceptance of the adjacent Public Improvements. Construction must, however, proceed in compliance with the Subdivision Improvements Agreement and Certificates of Occupancy shall be issued only if all adjacent public improvements are substantially complete and constructed in accordance with the City's citywide construction standards of the City in effect at the time of construction.

10. Developer at its sole cost shall engineer and construct all on-site improvements within individually approved parcels and utilities and street connections between parcels in the PUD. All such improvements shall comply with the City construction standards in effect at the time of actual completion, including:

A. Overlot grading and earthwork within the platted property (may include road shoulders, if so permitted);

3

B. Appropriate curb, gutter, valley pans, sidewalks, pathways or other site concrete work within the platted property (innovations to which shall be permitted through the PUD);

C. Street paving (concrete or asphaltic, as approved by the City) on all local and collector streets within the platted property;

D. Storm drainage systems including inlets, pipelines, manholes channels, detention ponds, dams, outfall structures and all other facilities conveying developed storm flows from within the platted property;

E. Water distribution mainlines, valves, air vacs, blow-off's, water services, fire hydrants and meter pits required to serve new home sites within the platted property. Any pressure reducing (or backpressure sustaining) valves and associated vaults required for the City's pressure zone "breaks" shall be constructed by Developer, at the Developer's sole cost;

F. Sanitary Sewer trunk lines, mainlines, underdrain systems, manholes and sewer services required to serve new homesite within the platted property. Lift stations and force mains are discussed in subsequent sub-sections.

Any facility over-sizing required by City is detailed in other sections.

11. The Parties agree to construct off-site infrastructure as follows, and as set forth on Attachment "B";

A. That the Developer engineer and construct the necessary improvements to the Short-Line Ditch - Phase I, from Colorado Highway 52 north to Fourteenth Street, including channels, box culverts and the regional detention pond, estimated to cost \$530,000, with no future requests by the City for participation in Phases II or III. The City shall exercise its authority to acquire any additional easements or right-of-ways, if necessary, which may be required to construct the improvements. Cost of acquisition shall be borne by the Developer. Also, subsequent to the completion of the project, the City shall accept and maintain the ditch in perpetuity and shall indemnify the developer against any future claims or action which may result from stormwater flooding "downstream" of the Fourteenth Street Detention Pond (prior to the City's completion of Phase II outfall to the Platte River). Notwithstanding that the Developer shall retain the right to "defer" the construction of Phase I provided that interim stormwater detention ponds are constructed on the Multi-Family Site ("A") and on the westerly limits of Parcel "D", supported by engineered drainage studies and satisfactory to the City Engineer with the caveat that the Developer "must" complete Phase I prior to the issuance of the 125/th/ Certificate of Occupancy "east" of the Fulton Ditch.

4

B. That the Developer complete the improvements to the intersection at the primary, Golf Course entry road on Colorado Highway 52, with full build-out, accel/decel lanes and necessary appurtenances (north side only), and the Golf Course entry road previously required to be completed by the City, both projects estimated to cost \$340,000. The City shall also contribute \$125,000 in cash currently appropriated in the 1998 Financial Plan in conjunction with a Notice to Proceed or by September 1, 1998 whichever comes first. Also, the City shall assist the Developer's efforts to apply for and obtain a Temporary Construction Permit and a Permanent Access Permit from the Colorado Department of Transportation (CDOT) at the subject intersection on Colorado Highway 52. The Developer shall retain the right to construct additional sidewalks, landscaping, signage, monumentation, street lighting or other amenities adjacent to the Golf Course entry road at the Developer's sole cost.

- C. That the Developer construct curb and gutter, detached sidewalks and incremental paving (approximately 3 feet) along the south side of Ninth Street and overlay Ninth Street from Twombly Elementary east through the intersection (25 ft.) of Northrup Avenue, estimated to cost \$100,000. The City shall be responsible to make any pavement repairs or remedial subgrade work prior to the overlay project. Also, the City shall indemnify the Developer against future pavement failure which may be the result of subsurface failures or subsidence on Ninth Street.
- D. That the Developer construct the westerly one-half (1/2) of the future collector street improvements on College Avenue to include earthwork, curb and gutter, and detached sidewalks, estimated to cost \$120,000. Per approved Final Plans and Pavement Design, Developer shall pave a 26 foot width (two lane) street from the Aims College entrance to the northerly-most entrance of the development. This project may be done in two phases, dependent upon the adjacent development or filing.
- E. The Developer shall fund and construct three segments of natural gas main lines into the development as follows:
- (1) Segment No. 1 - Prior to March 1, 1999 (east of Aims College along Colorado Highway 52, west to intersection with the primary Golf Course entry road).
 - (2) Segment No. 2 - Prior to March 1, 1999 (Primary Entrance Intersection north through Entry Road to Filing 2 and the Golf Course Clubhouse).
 - (3) Segment No. 3 - As dictated by adjacent development (from Highway 52 north on College Avenue to individual Coyote Creek filings).

5

- F. The City will be 100% responsible for extending Ninth Street from Northrup Avenue to College Avenue and extending and widening College Avenue from the North entrance of the development to Ninth Street as necessitated by future development. The City may seek contribution from others (not PUD developer) for such improvements.
- G. The City will have the responsibility to improve the intersections of Rollie Street/Colorado Highway 52, and College Avenue/Colorado Highway 52 when necessitated by future growth or if required by the Colorado Department of Transportation, at which time the City may seek contribution from others (not PUD developer) for such improvements.

12. The City and the Developer shall fund the expenses for their respective legal counsels to obtain three Oil and Gas Siting Agreements for the Golf Course and the residential development, two of which have already been obtained. The Developer will be responsible for the incremental and additional costs of any required "slant" drilling by the respective oil and gas companies if so required in the Siting Agreements. In addition, the City will be required to work with the Developer to correct the percent of royalties that are shared equally between the parties. The parties agree with respect to this provision that they will mutually cooperate to reasonably mitigate the costs involved with "slant" drilling and visual impacts of well sites adjacent to the Course and the PUD.
13. All building and development fees, taxes and charges (as enumerated in Section 18 of this agreement) for all lots constructed east of the Fulton Ditch, and the multi-family Parcel "A", will be collected pursuant to then existing City regulations.

Also, all fees enumerated in Section 18 of this agreement are locked in until December 31, 2003 at which time any remaining units will be subject to the then prevailing rates (see Attachment "A").

The Developer may increase the 3 fees that the City will rebate by up to 25% over the then existing regulations, at their discretion, providing only for notification to the City. This would include the Development Fee, the Infrastructure Assessment Fee and the Storm Drainage Fee. The Developer shall be required to notify the City, through the City Administrator, of any fee increases at least 30 days prior to the Developer's disclosure of fee increases to its home builders.

14. In order to address the 10 acre shortfall which stems from the prior agreement's requirement that the Developer was not to net less than 119 acres and netted only 109, even with the initial 35 acres donated by the developer from its land to the course, the City will agree to the parcelization and conveyance of Lot 2 (approximately 1.62 acres adjacent to Colorado Highway 52) as discussed in Section 14.B. below, to the Developer

with the following conditions:

6

- A. The Developer shall donate/convey any park sites, recreation tracts or other usable open space to the City on a plat-by-plat basis, with the City being responsible for converting it to a park site or other recreational amenities at a later date, provided however, that the Developer shall be allowed to construct said improvements, at their expense, if so dictated to meet their needs. Also, the Developer shall be responsible to extend water and sewer service lines to those sites which may require turf or landscape irrigation and/or restroom facilities. Remnant parcels, not suitable or acceptable to the City, will be retained by the Developer and conveyed to and maintained by a Master Association to be formed by the Developer; and
- B. The City will process a Final Plat (through the Planning Commission and City Council) for the Clubhouse Entry Road Filing No. 1., as currently engineered and submitted by the Developer. The Developer shall submit a zoning request, Preliminary Site Plan and proposed land uses for Lot 2 within sixty (60) days following the execution of this agreement. The City will favorably entertain said zoning proposal for Lot 2 for appropriate retail or commercial zoning which must compliment or support the adjacent residential community and will not compete with retail businesses at the Golf Course Clubhouse. Once the property is appropriately zoned, agreed to by the City and Developer, the City shall convey, by Special Warranty Deed, Lot 2 to the Developer and the City shall bear the cost of a Title Commitment and any necessary closing costs.
- C. In recognition of the net loss differential between the 10 acres and the 1.62 acre parcel, the City shall waive the requirement for the Developer to participate in the High-Zone Water Pump Station referenced in Section 4.2.d of the prior agreement totaling \$100,000, as "FULL SETTLEMENT" for the loss of the 10 acres.

In the event that the Developer and the City cannot reach a reasonable accord regarding the zoning for Lot 2, the shortfall of 10 acres will be administered as follows:

- A. The City will retain the 1.62 acre parcel; and
 - B. The City will waive the requirement to participate in the High-Zone Water Pump Station referenced in Section 4.2.d of the prior agreement totaling \$100,000; and
 - C. The City will pay cash for the remainder of the "shortfall" based upon the fair market value of the 10 acres by an appraiser mutually agreed upon by both parties by June 1, 1999.
- 15. The Developer shall contribute \$75,000 by September 1, 1998 to the City to assist in the financing necessary to build the course clubhouse and fund marketing efforts related to the course.
 - 16. The Developer shall contribute \$150,000 by June 1, 1999 to the City to assist in the financing necessary for the acquisition of or construction of a Community Center.

7

- 17. In response to the comprehensive nature of this amendment and in light of the mutual cooperation thereof, the City and the Developer will agree not to request reimbursement for costs already incurred by each other.
- 18. The Parties agree to establish the level of certain development fees and charges to be paid by homebuilders over the residential build-out of the PUD. Certain fees are restricted or pledged and are summarized as follows:
 - A. Enhancement Fee. Developer or assigns shall pay an Enhancement Fee of -----
\$2,000 per SFE to be pledged into a shortfall reserve account, securing the Golf Course Revenue Anticipation Warrants. If annual fees collected fall below \$60,000 per year for the years 1998 through 2007 the Developer's aforementioned letter of Credit (\$600,000) shall be used to secure the Developer's minimum pledge of \$60,000 per year. Any excess over the amounts required to fund the shortfall reserve account shall be used by the City for the off-site phased infrastructure detailed in Section 11 of this agreement. As long as

the City is meeting its phased commitments, the City may use any excess enhancement fees for community enhancements, such as a community center, recreation center, aquatic facilities, parks, playing fields and open space.

Any year during the years 1998 through 2007 in which the Developer or Developer's assigns/homebuilders pay more than \$60,000 (\$2,000 per single family equivalent) in enhancement fees, the amount paid in the excess of \$60,000 shall be credited against the subsequent years \$60,000 payment requirement, and the resulting LOC amount shall be the difference between the \$60,000 annual payment requirement and the amount paid in any given year. The LOC may be reduced annually in accordance with payments made hereunder, insuring only that an LOC remains in place in an amount equal to \$600,000 minus the total of enhancement fees paid to that point in time. For example, if at the anniversary date of the LOC, the Developer or Developer's assigns/homebuilders have paid \$120,000 in Enhancement Fees, the LOC can be renewed in the amount of \$480,000, etc.

B. Infrastructure Assessment Fee. Developer or Developer's assigns agree

to pay an Infrastructure Assessment Fee pursuant to attachment "A". 50% of these fees are to be rebated to the Developer for the off-site infrastructure required to serve the Golf Course and Residential Development projects as enumerated in Section 11. After said time, the City may use its 50% share of this fee, at its sole discretion, for any other appropriate city infrastructure projects.

C. Water Tap and Sewer Tap Fees. Developer or Developer's assigns shall

pay the water tap and sewer tap fees pursuant to attachment "A" which are locked in until December 31, 2003 at which time any remaining units will be subject to the then prevailing water and sewer tap fees.

D. Other Fees and Use Taxes. Developer or Developer's assigns shall pay

the following other fees and use taxes pursuant to Attachment "A":

- (1) Development Fees.
- (2) Construction Building Permit Fees.
- (3) Storm Drainage Assessment Fee.
- (4) Water Resources Fee.
- (5) Lien Recording Fees.
- (6) Water meters and transponders purchased from the City at cost.
- (7) Use Taxes.

19. The parties agree to mutually cooperate to address the means necessary to engineer and construct a secondary ingress/egress site into the multi-family parcel "A" and to the Sewer Liftstation.

20. Assignability. This agreement is freely assignable to an assignee known in -----
the business community to be financially responsible, reliable and of good reputation, by the Developer and Land Owners, and all the benefits and obligations hereunder shall inure to their successors and assigns.

21. The official representative of and contact person for the City is the City Administrator at City Hall, and the developer's representative, presently O. Karl Kasch of Cimarron Consultants, Inc. at his office in Englewood. The parties shall notify any change in the contact person in writing from the Mayor of Fort Lupton to Matrix, or from Matrix to the Mayor at City Hall.

CITY OF FORT LUPTON
("CITY"):

MATRIX FUNDING CORP.
("DEVELOPER"):

CITY (Signature)

DEVELOPER (Signature)

Ron Jones, Mayor

Guy Gibson, President

(Printed name and title)

(Printed name and title)

ATTEST:

ATTEST:

COYOTE CREEK PUD AGREEMENT
SCHEDULE OF FEES

<TABLE>
<CAPTION>

Fee Type	Fund	SF West 1-100	SF West 101-200	SF West 201-300	SF East 1-100	SF East 101-250	MF West 1-200	Total Potential Revenues (750 units)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
CITY OF FORT LUPTON RECEIVES AND RETAINS								
Water Resources Fee (CBT)	1 WF	Per City Regulations at time Building Permit is issued.						
Water Tap Fees	2 WF	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 937,500
Sewer Tap Fees	2 SF	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 937,500
Enhancement Fees (Golf)	GOLF	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 1,500,000
Enhancement Fees (CPR)	CPR	Per City Regulations at time Building Permit is issued.						
Construction Permit Fees	GF	Per City Regulations at time Building Permit is issued.						
Use Taxes	Multi-Funds	Per City Regulations at time Building Permit is issued.						
CITY REBATES TO DEVELOPER								
Development Fee	3 n/a	\$ 800	\$ 900	\$ 1,000	\$ 1,200	\$ 1,400	\$ 700	\$ 740,000
Storm Drainage Assessment Fee	3 n/a	\$ 250	\$ 250	\$ 350	\$ 550	\$ 650	\$ 250	\$ 287,500
CITY AND DEVELOPER SHARES EQUALLY								
Infrastructure Assessment Fee	3/4 GF	600	1,300	2,000	2,500	3,000	600	\$ 1,210,000

1. The stated Water Resource Fee
2. Fixed until 12-31-2003 at which time this fee will convert to the City's prevailing rate.
3. The Developer shall have the right to adjust these fees up to 125% of the City's then prevailing rate with a thirty day notice sent to the City.
4. The Developer and the City shall share this fee equally.

Note: Total Potential Revenues is an estimate based on the construction of 750 units. The actual number of units may be lower.

ATTACHMENT "B"

COYOTE CREEK PUD AGREEMENT
OFFSITE INFRASTRUCTURE REQUIREMENTS BETWEEN DEVELOPER AND CITY
ESTIMATED FUNDING REQUIREMENTS

<TABLE>
<CAPTION>

PROJECT DESCRIPTION	FUND	ESTIMATED COSTS	SCHEDULE/ DEADLINES
CITY OF FORT LUPTON:			
EXPENDITURES:			
<S>	<C>	<C>	<C>
East Sewer Lift Station (100% towards project)	Sewer	\$ 462,238	Done.
Entry Road Participation	Street	125,000	Due to Developer 9-1-98 or Notice

Water Pump Station (30% towards project)	Water	497,126	to Proceed. Done.
Finish 9th from Northrup to College	Street	170,000	As necessitated by future growth.
Finish College from North ent. to 9th	Street	210,000	As necessitated by future growth.
Intersection - Hwy. 52/Rollie St.	Street	145,000	As necessitated by future growth.
Intersection - Hwy. 52/College Ave.	Street	163,000	As necessitated by future growth.

Total Expenditures		\$ 1,772,364	
		=====	
Remaining as of 6-15-98		\$ 813,000	
		=====	

DEVELOPER:

EXPENDITURES:

Preliminary Engineering		\$ 125,000	Ongoing
Entry Road Participation		90,000	Must be completed before 5-1-99.
Hwy. 52/Golf Course Intersection		125,000	Phase I - prior to 5-1-99. Phase II - by CDOT permit.
Shortline Imp. - Phase I		530,000	On or before the 125th C.O. (east of Fulton Ditch) or as required by Engineer.
Overlay 9th from Twombly to Northrup		100,000	Prior to the 50th C.O. in Filing No. 2.
Construct 26' road on College from Aims entrance to North entrance into Development.		120,000	Prior to the 1st C.O. in any filing east of Fulton Ditch.
Community Center Contribution (due 6-1-99)		150,000	On or before 6-1-99.
Clubhouse Contribution (due 11-1-98)		75,000	On or before 11-1-98.
Natural Gas Extensions (3 segments)		40,000	Segments 1&2 by 3-1-99. Segment 3 with filings east of Fulton.

Total Expenditures		\$ 1,355,000	
		=====	

</TABLE>

*Note: Funds received from the Developer for the Clubhouse and Community Center will be deposited into the Golf Fund and CPR Fund respectively.

EMPLOYMENT AGREEMENT ADDENDUM

THIS EMPLOYMENT AGREEMENT ADDENDUM, is a supplement to the original EMPLOYMENT AGREEMENT dated January 1, 1995, by and between MATRIX CAPITAL BANK, (hereinafter referred to as the "Bank") and GARY LENZO (hereinafter referred to as the "Employee").

WHEREAS, the Employee has heretofore been employed by the Bank as President and Chief Executive Officer, and

WHEREAS, the Bank wishes to assure itself of the services of the Employee as outlined in Section 5. Term of the original Employment Agreement, and

WHEREAS, the parties desire by this writing to set forth the continued employment relationship of the Bank and the Employee.

NOW, THEREFORE, it is agreed to amend Section 2. Base Compensation and Section

5. Term as follows:

2. Base Compensation. The Bank agrees to pay the Employee during the term of this Addendum, a salary at the rate of \$150,000.00 per annum payable in cash not less frequently than twice monthly and shall be increased annually in such an amount as the Board of Directors may determine.

5. Term. This Addendum extends the period of employment an additional twelve (12) months, per performance evaluation by the Board of Directors, as outlined in the original Employment Contract, thereby extending the term of said Employment Agreement to January 1, 2000.

IN WITNESS WHEREOF, the parties have executed this Employment Agreement Addendum, on the 16th day of December 1998.

<TABLE>
<CAPTION>

<S>

MATRIX CAPITAL BANK
<C>

By: _____ /s/
Name: D. Mark Spencer
Its: Chairman

By: _____ /s/ _____

Name: Gary Lenzo

</TABLE>

PROMISSORY NOTE

Dated: December 31, 1998

Principal Amount: \$79,340.45

State of Colorado

FOR VALUE RECEIVED, the undersigned hereby jointly and severally promise to pay to the order of Matrix Capital Corporation.

The sum of Seventy-nine Thousand Three Hundred and Forty and 45/100, Dollars (\$79,340.45), together with interest thereon at the rate of Prime per annum on the unpaid balance. Said sum shall be paid in the manner following:

All principal and interest shall be due on December 30, 1999.

All payment shall be first applied to interest and the balance to principal. This note may be prepaid, at any time, in whole or in part, without penalty. All prepayments shall be applied in reverse order of maturity.

This note shall at the option of any holder hereof be immediately due and payable upon the failure to make any payment due hereunder within N/A days of its due date.

This note at the option of any holder hereof may be extended on an annual basis for increments of one (1) year. The terms and interest rate will remain constant.

In the event this note shall be in default, and placed with an attorney for collection, then the undersigned agree to pay all reasonable attorney's fees and costs of collection. Payments not made within five (5) days of due date shall be subject to a late charge of 2% of said payment. All payments hereunder shall be made to such address as may from time to time be designed by any holder hereof.

The undersigned and all other parties to this note, whether as endorsers, guarantors or sureties, agree to remain fully bound hereunder until this note shall be fully paid and waive demand, presentment and protest and all notices thereto and further agree to remain bound, notwithstanding any extension, renewal, modification, waiver, or other indulgence by any holder or upon the discharge or release of any obligor hereunder to this note, or upon the exchange, substitution, or release of any collateral granted as security for this note. No modification or indulgence by any holder hereof shall be binding unless in writing: and any indulgence on any one occasion shall not be an indulgence for any other or future occasion. Any modification or change of

terms, hereunder granted by any holder hereof, shall be valid and binding upon each of the undersigned, notwithstanding the acknowledgment of any of the undersigned, and each of the undersigned does hereby irrevocably grant to each of the others a power of attorney to enter into any such modification on their behalf. The rights of any holder hereof shall be cumulative and not necessarily successive. This note shall take effect as sealed instrument and shall be construed, governed and enforced in accordance with the laws of the State first appearing at the head of this note. The undersigned hereby execute this note as principals and not as sureties.

Maker:

/s/

D. Mark Spencer

FOURTH MODIFICATION AGREEMENT

DATE: February 28, 1999

PARTIES: Borrower: MATRIX CAPITAL CORPORATION,

a Colorado corporation

Bank: BANK ONE, ARIZONA, NA,
a national banking association

RECITALS:

A. Bank has extended to Borrower credit ("Loan") in the principal amount
of \$980,000.00 pursuant to the Loan Agreement, dated June 29, 1995 ("Loan
Agreement"), and evidenced by the Promissory Note, dated June 29, 1995 ("Note").
The unpaid principal of the Loan as of the date hereof is \$870,477.00.

B. The Loan is secured by, among other things, the Deed of Trust,
Assignment of Rents, Security Agreement and Fixture Filing, dated June 29, 1995
("Deed of Trust"), by Borrower, as trustor, for the benefit of Bank, as
beneficiary, recorded on July 3, 1995, Instrument No. 95-0387291, records of
Maricopa County, Arizona (the agreements, documents, and securing the Loan and
the Note are referred to individually and collectively as the "Security
Documents").

C. Bank and Borrower have executed and delivered previously the following
agreements ("Modifications") modifying the terms of the Loan, the Note, the Loan
Agreement, and/or the Security Documents: (i) the First Modification Agreement
dated June 26, 1998, (ii) the Second Modification Agreement dated September 29,
1998, (iii) the Third Modification Agreement dated November 29, 1998. (The
Note, the Loan Agreement, the Security Documents, any arbitration resolution,
any environmental certification and indemnity agreement, and all other

agreements, documents, and instruments evidencing, securing, or otherwise relating to the Loan, as modified in the Modifications, are sometimes referred to individually and collectively as the "Loan Documents". Hereinafter, "Note", "Loan Agreement", "Deed of Trust", and "Security Documents" shall mean such documents as modified in the Modifications.)

D. Borrower has requested that Bank modify the Loan and the Loan Documents as provided herein. Bank is willing to so modify the Loan and the Loan Documents, subject to the terms and conditions herein.

AGREEMENT:

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Bank agree as follows:

1. ACCURACY OF RECITALS.

Borrower acknowledges the accuracy of the Recitals.

2. MODIFICATION OF LOAN DOCUMENTS.

2.1 The Loan Documents are modified as follows:

2.1.1 The maturity date of the Loan and the Note is changed from February 28, 1999, to June 30, 1999. On the maturity date Borrower shall pay to Bank the unpaid principal, accrued and unpaid interest, and all other amounts payable by Borrower under the Loan Documents as modified herein.

2.2 Each of the Loan Documents is modified to provide that it shall be a default or an event of default thereunder if Borrower shall fail to comply with any of the covenants of Borrower herein or if any representation or warranty by Borrower herein or by any guarantor in any related Consent and Agreement of Guarantor(s) is materially incomplete, incorrect, or misleading as of the date hereof.

2.3 Each reference in the Loan Documents to any of the Loan Documents shall be a reference to such document as modified herein.

3. RATIFICATION OF LOAN DOCUMENTS AND COLLATERAL.

The Loan Documents are ratified and affirmed by Borrower and shall remain in full force and effect as modified herein. Any property or rights to or interests in property granted as security in the Loan Documents shall remain as security for the Loan and the obligations of Borrower in the Loan Documents.

4. BORROWER REPRESENTATIONS AND WARRANTIES.

Borrower represents and warrants to Bank:

4.1 No default or event of default under any of the Loan Documents as modified herein, nor any event, that, with the giving of notice or the passage of

time or both, would be a default or an event of default under the Loan Documents as modified herein has occurred and is continuing.

4.2 There has been no material adverse change in the financial condition of Borrower or any other person whose financial statement has been delivered to Bank in connection with the Loan from the most recent financial statement received by Bank.

4.3 Each and all representations and warranties of Borrower in the Loan Documents are accurate on the date hereof.

4.4 Borrower has no claims, counterclaims, defenses, or set-offs with respect to the Loan or the Loan Documents as modified herein.

4.5 The Loan Documents as modified herein are the legal, valid, and binding obligation of Borrower, enforceable against Borrower in accordance with their terms.

4.6 Borrower is validly existing under the laws of the State of its formation or organization and has the requisite power and authority to execute and deliver this Agreement and to perform the Loan Documents as modified herein. The execution and delivery of this Agreement and the performance of the Loan Documents as modified herein have been duly authorized by all requisite action by or on behalf of Borrower. This Agreement has been duly executed and delivered on behalf of Borrower.

5. BORROWER COVENANTS.

Borrower covenants with Bank:

5.1 Borrower shall execute, deliver, and provide to Bank such additional agreements, documents, and instruments as reasonably required by Bank to effectuate the intent of this Agreement.

5.2 Borrower fully, finally, and forever releases and discharges Bank and its successors, assigns, directors, officers, employees, agents, and representatives from any and all actions, causes of action, claims, debts, demands, liabilities, obligations, and suits, of whatever kind or nature, in law or equity of Borrower, whether now known or unknown to Borrower, (i) in respect

of the Loan, the Loan Documents, or the actions or omissions of Bank in respect of the Loan or the Loan Documents and (ii) arising from events occurring prior to the date of this Agreement.

5.3 Contemporaneously with the execution and delivery of this Agreement, Borrower has paid to Bank:

5.3.1 All accrued and unpaid interest under the Note and all amounts, other than interest and principal, due and payable by Borrower under the Loan Documents as of the date hereof.

5.3.2 A modification fee of \$1,000.00.

6. EXECUTION AND DELIVERY OF AGREEMENT BY BANK.

Bank shall not be bound by this Agreement until (i) Bank has executed and delivered this Agreement, (ii) Borrower has performed all of the obligations of Borrower under this Agreement to be performed contemporaneously with the execution and delivery of this Agreement, (iii) each guarantor(s) of the Loan, if any, has executed and delivered to Bank a Consent and Agreement of Guarantor(s), and (iv) if required by Bank, Borrower and any guarantor(s) have executed and delivered to Bank an arbitration resolution, an environmental questionnaire, and an environmental certification and indemnity agreement.

7. ENTIRE AGREEMENT, CHANGE, DISCHARGE, TERMINATION, OR WAIVER.

The Loan Documents as modified herein contain the entire understanding and agreement of Borrower and Bank in respect of the Loan and supersede all prior representations, warranties, agreements, arrangements, and understandings. No provision of the Loan Documents as modified herein may be changed, discharged, supplemented, terminated, or waived except in a writing signed by Bank and Borrower.

8. BINDING EFFECT.

The Loan Documents as modified herein shall be binding upon, and inure to the benefit of, Borrower and Bank and their respective successors and assigns.

9. CHOICE OF LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona, without giving effect to conflicts of law principles.

10. COUNTERPART EXECUTION.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

DATED March 19, 1999, but effective as of the date first above stated.

MATRIX CAPITAL CORPORATION, a
Colorado corporation

By:

Name:

Title:

BANK ONE, ARIZONA, NA, a national banking
association

By:

Name:

Title:

SIXTH AMENDMENT TO
 AMENDED AND RESTATED LOAN AGREEMENT

(AND WAIVER)

THIS DOCUMENT is entered into as of October 31, 1998, between MATRIX FINANCIAL SERVICES CORPORATION, an Arizona corporation ("Borrower"), the Lenders listed on the signature page below, and BANK ONE, TEXAS, N.A., as Agent (in that capacity "Agent").

Borrower, Lenders, and Agent have entered into the Amended and Restated Loan Agreement (as renewed, extended, amended, or restated, the "Loan Agreement") dated as of January 31, 1997, providing for loans to Borrower both on a revolving and a term basis. Borrower, Lenders, and Agent have agreed to amend or waive the Loan Agreement, as applicable, in order, among other things, to (a) waive Lenders' right to declare a Default under Section 10.1 resulting from certain transactions described below (the "Subject Transactions") involving Borrower's wholly-owned subsidiary Equi-Mor Holdings, Inc. ("Equi-Mor") and, consequently, Borrower's failure to observe the requirements of Sections 8.1, 8.2, and 8.3 of the Loan Agreement, (b) amend Sections 8.1, 8.2, and 8.3 of the Loan Agreement to permit future Subject Transactions, (c) increase the total Warehouse Commitment to \$120,000,000, and (d) make the additional changes described in Paragraph 2 below.

Accordingly, for adequate and sufficient consideration, Borrower, Lenders, and Agent agree as follows:

1. TERMS AND REFERENCES. Unless otherwise stated in this document

(A) terms defined in the Loan Agreement have the same meanings when used in this document and (B) all references to "Sections," "Schedules," and "Exhibits" are to the Loan Agreement's sections, schedules, and exhibits.

2. AMENDMENTS. The Loan Agreement is hereby amended as follows:

(A) Section 1.1 is amended by adding the following new definition in alphabetical order with the definitions in that section:

"Equi-Mor" means Equi-Mor Holdings, Inc., a Nevada corporation and wholly-owned Subsidiary of Borrower.

(B) Sections 8.1(x) and 8.1(xi) are entirely amended as follows:

(x) Guaranty by the Companies of up to \$20,000,000 principal and all other indebtedness of Matrix Capital Corporation under a combination revolving and term credit facility provided by Bank One, Texas, N.A., and other lenders, as that facility may be renewed, extended, amended, or restated from time to time.

(xi) Debt of Equi-Mor owed to Investment Services, Inc., an affiliate of U.S. Bancorp, on a short-term basis for financing charter-school leases or loans until they can be sold in the secondary market, which Debt is guaranteed by Guarantor until, but not after, those leases are sold in the secondary market.

(xii) Debt (other than the above) incurred after the date of this agreement, never to exceed \$250,000 unless approved by Agent in writing.

(C) Section 8.2(ix) is added as follows:

(ix) Liens that secure only the Debt described in Section 8.1(xi), that do not cover any Collateral, and that cover only the charter-school leases or loans of Equi-Mor financed with that Debt and related assets such as proceeds.

(D) Sections 8.3(xiii) and the final paragraph of Section 8.3 are entirely amended as follows:

Sixth Amendment

(xiii) Charter-school leases or loans originated or acquired by Equi-Mor in the ordinary course of business.

(xiv) Other loans, advances, or investments, so long as the aggregate amount outstanding (defined as the amount of any such loans or advances plus the cost of any such investments) is never more than \$100,000 at any one time.

At no time may the aggregate market value of all Permitted Loans/Investments (other than Mortgage Loans and Mortgage Securities described in Section 8.3(iii) and assets described in Section 8.3(xiii) above) exceed an aggregate value of more than \$6,000,000.

(E) Schedule 2, Schedule 6.2, and Schedule 6.9 are entirely amended in the forms of, and all references in the Loan Agreement to Schedule 2, Schedule 6.2, and Schedule 6.9 are changed to, the attached Fourth Amended Schedule 2, Amended Schedule 6.2, and Amended Schedule 6.9, respectively.

3. WAIVERS. Lenders waive any past or present Default existing solely as

a result of Borrower's failure to observe the requirements of Sections 8.1, 8.2, and 8.3 in connection with the Subject Transactions. Except as expressly stated, this paragraph is not a waiver of existing or future Potential Defaults or Defaults or a waiver of Agent's or any Lender's rights to insist upon compliance by all other relevant parties with each Loan Document.

4. CONDITIONS PRECEDENT. Notwithstanding any contrary provision, the

foregoing paragraphs in this document are not effective unless and until (A) the representations and warranties in this document are true and correct and (B) Agent receives (1) counterparts of this document executed by each party on the signature pages of this document and (2) each document and other item listed on the attached Annex A, each of which must be in form and substance acceptable to Agent and its special counsel.

5. RATIFICATIONS. To induce Agent and Lenders to enter into this

document, Borrower (A) ratifies and confirms all provisions of the Loan Documents as amended by this document, (B) ratifies and confirms that all guaranties, assurances, and Liens granted, conveyed, or assigned to Agent and Lenders under the Loan Documents (as they may have been renewed, extended, and amended) are not released, reduced, or otherwise adversely affected by this document and continue to guarantee, assure, and secure full payment and performance of the present and future Obligation, and (C) agrees to perform those acts and duly authorize, execute, acknowledge, deliver, file, and record those additional documents, and certificates as Agent or any Lender may request in order to create, perfect, preserve, and protect those guaranties, assurances, and Liens.

6. REPRESENTATIONS. To induce Agent and Lenders to enter into this

document, Borrower represents and warrants to Agent and Lenders that as of the date of this document (A) Borrower has all requisite authority and power to execute, deliver, and perform its obligations under this document, which execution, delivery, and performance have been duly authorized by all necessary corporate action, require no action by or filing with any Tribunal, do not violate its corporate charter or bylaws, or (except where not a Material-Adverse Event) violate any Law applicable to it or any material agreement to which it or its assets are bound, (B) upon execution and delivery by all parties to it, this document will constitute Borrower's legal and binding obligation, enforceable against it in accordance with their respective terms except as that enforceability may be limited by Debtor Laws and general principles of equity, (C) all other representations and warranties in the Loan Documents are true and correct in all material respects except to the extent that (1) any of them speak to a different specific date or (2) the facts on which any of them were based have been changed by transactions contemplated or permitted by the Loan

Agreement, and (D) no Material-Adverse Event, Default, or Potential Default exists.

7. EXPENSES. Borrower shall pay all costs, fees, and expenses paid or incurred by Agent incident to this document, including, without limitation, the reasonable fees and expenses of Agent's special counsel in connection with the negotiation, preparation, delivery, and execution of this document and any related documents.

8. MISCELLANEOUS. All references in the Loan Documents to the "Loan Agreement" refer to the Loan Agreement as amended by this document. This document is a "Loan Document" referred to in the Loan Agreement; therefore, the provisions relating to Loan Documents in Sections 1 and 12 are incorporated in this document by reference. Except as specifically amended and modified in this document, the Loan Agreement is unchanged and continues in full force and effect. This document may be executed in any number of counterparts with the same effect as if all signatories had signed the same document. All counterparts must be construed together to constitute one and the same instrument. This document binds and inures to each of the undersigned and their respective successors and permitted assigns, subject to Section 12.12. This document and the other Loan Documents represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements by the parties. There are no unwritten oral agreements between the parties.

[REMAINDER OF PAGE INTENTIONALLY BLANK.
SIGNATURE PAGE FOLLOWS.]

EXECUTED as of the date first stated in this Sixth Amendment to Amended and Restated Loan Agreement.

<TABLE>	<C>
<CAPTION>	
<S>	
MATRIX FINANCIAL SERVICES CORPORATION, as Borrower	BANK ONE, TEXAS, N.A., as Agent, as a Lender, and as Bank One
By _____ /s/	By _____ /s/
George R. Bender, President	Mark L. Freeman, Vice President
U.S. BANK NATIONAL ASSOCIATION, formerly Colorado National Bank, as a Lender	RESIDENTIAL FUNDING CORPORATION, as a Lender
By _____ /s/	By _____ /s/
Jerry A. Davis, Senior Vice President	Mitchell K. Nomura, Director
</TABLE>	

CONSENT AND AGREEMENT

To induce Agent and Lenders to enter into this document, the undersigned (a) consents and agrees to this document's execution and delivery, (b) ratifies and confirms that all guaranties, assurances, Liens, and subordinations granted, conveyed, or assigned to Agent and Lenders under the Loan Documents (as they may have been renewed, extended, and amended) are not released, diminished, impaired, reduced, or otherwise adversely affected by this document and continue to guarantee, assure, secure, and subordinate other debt to the full payment and performance of all present and future Obligation, (c) agrees to perform those acts and duly authorize, execute, acknowledge, deliver, file, and record those

additional guaranties, assignments, security agreements, deeds of trust, mortgages, and other agreements, documents, instruments, and certificates as Agent or any Lender may reasonably deem necessary or appropriate in order to create, perfect, preserve, and protect those guaranties, assurances, Liens, and subordinations, (d) represents and warrants to Agent and Lenders that (i) the value of the consideration received and to be received by the undersigned in respect of those guaranties, assurances, Liens, and subordinations are reasonably worth at least as much as the related liability and obligation, (ii) that liability and obligation may reasonably be expected to directly or indirectly benefit the undersigned, and (iii) the undersigned is -- and after giving effect to those guaranties, assurances, Liens, subordinations, and the Loan Documents, in light of all existing facts and circumstances (including, without limitation, collateral for and other obligors in respect of the Obligation and various components of it and various rights of subrogation and contribution), the undersigned will be -- Solvent, and (e) waives notice of acceptance of this consent and agreement, which consent and agreement binds the undersigned and its successors and permitted assigns and inures to Agent, each Lender, and their successors and permitted assigns.

MATRIX CAPITAL CORPORATION, as
Guarantor

By _____ /s/
Guy A. Gibson, Chief Executive
Officer and President

Signature Page to Sixth Amendment

SEVENTH AMENDMENT TO
AMENDED AND RESTATED LOAN AGREEMENT

THIS DOCUMENT is entered into as of January 28, 1999, between MATRIX FINANCIAL SERVICES CORPORATION, an Arizona corporation ("Borrower"), the Lenders listed on the signature page below, and BANK ONE, TEXAS, N.A., as Agent (in that capacity "Agent").

Borrower, Lenders, and Agent have entered into the Amended and Restated Loan Agreement (as renewed, extended, amended, or restated, the "Loan Agreement") dated as of January 31, 1997, providing for loans to Borrower both on a revolving and a term basis. Borrower, Agent, and Lenders have agreed, upon the following terms and conditions, to amend the Credit Agreement as described in Paragraph 2 below.

Accordingly, for adequate and sufficient consideration, Borrower, Lenders, and Agent agree as follows:

1. TERMS AND REFERENCES. Unless otherwise stated in this document (A)

terms defined in the Loan Agreement have the same meanings when used in this document and (B) all references to "Sections," "Schedules," and "Exhibits" are to the Loan Agreement's sections, schedules, and exhibits.

2. AMENDMENTS. Section 1.1 of the Loan Agreement is amended to entirely

amend the following definitions in that section:

"Tranche B- Stated-Termination Date" means the earlier of either (a) February 15, 1999, or (b) the 30th calendar day after the calendar day that at least \$31,500,000 of Tranche B is outstanding at any one time.

"Warehouse- Stated-Termination Date" means February 15, 1999.

3. CONDITIONS PRECEDENT. Notwithstanding any contrary provision, the

foregoing paragraphs in this document are not effective unless and until (A) the representations and warranties in this document are true and correct and (B) Agent receives counterparts of this document executed by each party on the signature pages of this document.

4. RATIFICATIONS. To induce Agent and Lenders to enter into this document,

Borrower (A) ratifies and confirms all provisions of the Loan Documents as amended by this document, (B) ratifies and confirms that all guaranties, assurances, and Liens granted, conveyed, or assigned to Agent and Lenders under the Loan Documents (as they may have been renewed, extended, and amended) are not released, reduced, or otherwise adversely affected by this document and continue to guarantee, assure, and secure full payment and performance of the present and future Obligation, and (C) agrees to perform those acts and duly authorize, execute, acknowledge, deliver, file, and record those additional documents, and certificates as Agent or any Lender may request in order to create, perfect, preserve, and protect those guaranties, assurances, and Liens.

5. REPRESENTATIONS. To induce Agent and Lenders to enter into this

document, Borrower represents and warrants to Agent and Lenders that as of the date of this document (A) Borrower has all requisite authority and power to execute, deliver, and perform its obligations under this document, which execution, delivery, and performance have been duly authorized by all necessary corporate action, require no action by or filing with any Tribunal, do not violate its corporate charter or bylaws, or (except where not a Material-Adverse Event) violate any Law applicable to it or any material agreement to which it or its assets are bound, (B) upon execution and delivery by all parties to it, this document will constitute Borrower's legal and binding obligation, enforceable against it in accordance with their respective terms except as that

enforceability may be limited by Debtor Laws and general principles of equity, (C) all other representations and warranties in the Loan Documents are true and correct in all material respects except to the extent that (1) any of them speak to a different specific date or (2) the facts on which any of them were based have been

Seventh Amendment

changed by transactions contemplated or permitted by the Loan Agreement, and (D) no Material-Adverse Event, Default, or Potential Default exists.

6. EXPENSES. Borrower shall pay all costs, fees, and expenses paid or incurred by Agent incident to this document, including, without limitation, the reasonable fees and expenses of Agent's special counsel in connection with the negotiation, preparation, delivery, and execution of this document and any related documents.

7. MISCELLANEOUS. All references in the Loan Documents to the "Loan Agreement" refer to the Loan Agreement as amended by this document. This document is a "Loan Document" referred to in the Loan Agreement; therefore, the provisions relating to Loan Documents in Sections 1 and 12 are incorporated in this document by reference. Except as specifically amended and modified in this document, the Loan Agreement is unchanged and continues in full force and effect. This document may be executed in any number of counterparts with the same effect as if all signatories had signed the same document. All counterparts must be construed together to constitute one and the same instrument. This document binds and inures to each of the undersigned and their respective successors and permitted assigns, subject to Section 12.12.

THIS DOCUMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

REMAINDER OF PAGE INTENTIONALLY BLANK.
SIGNATURE PAGE FOLLOWS.

Seventh Amendment

EXECUTED as of the date first stated in this Seventh Amendment to Amended and Restated Loan Agreement.

<TABLE>

<CAPTION>

<S>

MATRIX FINANCIAL SERVICES CORPORATION,
as Borrower

<C>

BANK ONE, TEXAS, N.A., as Agent, as a Lender,
and as Bank One

By _____ /s/
George R. Bender, President

By _____ /s/
Mark L. Freeman, Vice President

U.S. BANK NATIONAL ASSOCIATION, formerly
Colorado National Bank, as a Lender

RESIDENTIAL FUNDING CORPORATION, as a
Lender

By _____ /s/
Jerry A. Davis, Senior Vice President

By _____ /s/
Mitchell K. Nomura, Director

</TABLE>

CONSENT AND AGREEMENT

To induce Agent and Lenders to enter into this document, the undersigned (a) consents and agrees to this document's execution and delivery, (b) ratifies and confirms that all guaranties, assurances, Liens, and subordinations granted,

conveyed, or assigned to Agent and Lenders under the Loan Documents (as they may have been renewed, extended, and amended) are not released, diminished, impaired, reduced, or otherwise adversely affected by this document and continue to guarantee, assure, secure, and subordinate other debt to the full payment and performance of all present and future Obligation, (c) agrees to perform those acts and duly authorize, execute, acknowledge, deliver, file, and record those additional guaranties, assignments, security agreements, deeds of trust, mortgages, and other agreements, documents, instruments, and certificates as Agent or any Lender may reasonably deem necessary or appropriate in order to create, perfect, preserve, and protect those guaranties, assurances, Liens, and subordinations, (d) represents and warrants to Agent and Lenders that (i) the value of the consideration received and to be received by the undersigned in respect of those guaranties, assurances, Liens, and subordinations are reasonably worth at least as much as the related liability and obligation, (ii) that liability and obligation may reasonably be expected to directly or indirectly benefit the undersigned, and (iii) the undersigned is -- and after giving effect to those guaranties, assurances, Liens, subordinations, and the Loan Documents, in light of all existing facts and circumstances (including, without limitation, collateral for and other obligors in respect of the Obligation and various components of it and various rights of subrogation and contribution), the undersigned will be -- Solvent, and (e) waives notice of acceptance of this consent and agreement, which consent and agreement binds the undersigned and its successors and permitted assigns and inures to Agent, each Lender, and their successors and permitted assigns.

Signature Page to Seventh Amendment

MATRIX CAPITAL CORPORATION, as
Guarantor

By _____ /s/
Guy A. Gibson, Chief Executive
Officer and President

Signature Page to Seventh Amendment

EIGHTH AMENDMENT TO
 AMENDED AND RESTATED LOAN AGREEMENT

THIS DOCUMENT is entered into as of February 12, 1999, between MATRIX FINANCIAL SERVICES CORPORATION, an Arizona corporation ("Borrower"), the Lenders listed on the signature page below, and BANK ONE, TEXAS, N.A., as Agent (in that capacity "Agent").

Borrower, Lenders, and Agent have entered into the Amended and Restated Loan Agreement (as renewed, extended, amended, or restated, the "Loan Agreement") dated as of January 31, 1997, providing for loans to Borrower both on a revolving and a term basis. Borrower, Agent, and Lenders have agreed, upon the following terms and conditions, to amend the Credit Agreement as described in Paragraph 2 below.

Accordingly, for adequate and sufficient consideration, Borrower, Lenders, and Agent agree as follows:

1. TERMS AND REFERENCES. Unless otherwise stated in this document (A)

terms defined in the Loan Agreement have the same meanings when used in this document and (B) all references to "Sections," "Schedules," and "Exhibits" are to the Loan Agreement's sections, schedules, and exhibits.

2. AMENDMENTS. Section 1.1 of the Loan Agreement is amended to entirely

amend the following definitions in that section:

"Tranche B-Stated-Termination Date" means the earlier of either (a) February 22, 1999, or (b) the 30th calendar day after the calendar day that at least \$31,500,000 of Tranche B is outstanding at any one time.

"Warehouse-Stated-Termination Date" means February 22, 1999.

3. CONDITIONS PRECEDENT. Notwithstanding any contrary provision, the

foregoing paragraphs in this document are not effective unless and until (A) the representations and warranties in this document are true and correct and (B) Agent receives counterparts of this document executed by each party on the signature pages of this document.

4. RATIFICATIONS. To induce Agent and Lenders to enter into this document,

Borrower (A) ratifies and confirms all provisions of the Loan Documents as amended by this document, (B) ratifies and confirms that all guaranties, assurances, and Liens granted, conveyed, or assigned to Agent and Lenders under the Loan Documents (as they may have been renewed, extended, and amended) are not released, reduced, or otherwise adversely affected by this document and continue to guarantee, assure, and secure full payment and performance of the present and future Obligation, and (C) agrees to perform those acts and duly authorize, execute, acknowledge, deliver, file, and record those additional documents, and certificates as Agent or any Lender may request in order to create, perfect, preserve, and protect those guaranties, assurances, and Liens .

5. REPRESENTATIONS. To induce Agent and Lenders to enter into this

document, Borrower represents and warrants to Agent and Lenders that as of the date of this document (A) Borrower has all requisite authority and power to execute, deliver, and perform its obligations under this document, which execution, delivery, and performance have been duly authorized by all necessary corporate action, require no action by or filing with any Tribunal, do not violate its corporate charter or bylaws, or (except where not a Material-Adverse Event) violate any Law applicable to it or any material agreement to which it or its assets are bound, (B) upon execution and delivery by all parties to it, this document will constitute Borrower's legal and binding obligation, enforceable against it in accordance with their respective terms except as that enforceability may be limited by Debtor Laws and general principles of equity, (C) all other representations and warranties in the Loan Documents are true and

correct in all material respects except to the extent that (1) any of them speak to a different specific date or (2) the facts on which any of them were based have been

Eighth Amendment

changed by transactions contemplated or permitted by the Loan Agreement, and (D) no Material-Adverse Event, Default, or Potential Default exists.

6. EXPENSES. Borrower shall pay all costs, fees, and expenses paid or

incurred by Agent incident to this document, including, without limitation, the reasonable fees and expenses of Agent's special counsel in connection with the negotiation, preparation, delivery, and execution of this document and any related documents.

7. MISCELLANEOUS. All references in the Loan Documents to the "Loan

Agreement" refer to the Loan Agreement as amended by this document. This document is a "Loan Document" referred to in the Loan Agreement; therefore, the provisions relating to Loan Documents in Sections 1 and 12 are incorporated in this document by reference. Except as specifically amended and modified in this document, the Loan Agreement is unchanged and continues in full force and effect. This document may be executed in any number of counterparts with the same effect as if all signatories had signed the same document. All counterparts must be construed together to constitute one and the same instrument. This document binds and inures to each of the undersigned and their respective successors and permitted assigns, subject to Section 12.12.

THIS DOCUMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

REMAINDER OF PAGE INTENTIONALLY BLANK.
SIGNATURE PAGE FOLLOWS.

2

Eighth Amendment

EXECUTED as of the date first stated in this Eighth Amendment to Amended and Restated Loan Agreement.

<TABLE>

<CAPTION>

<S>

MATRIX FINANCIAL SERVICES CORPORATION,
as Borrower

<C>

BANK ONE, TEXAS, N.A., as Agent, as a Lender,
and as Bank One

By /s/

George R. Bender, President

By /s/

Mark L. Freeman, Vice President

U.S. BANK NATIONAL ASSOCIATION, formerly
Colorado National Bank, as a Lender

RESIDENTIAL FUNDING CORPORATION, as a
Lender

By /s/

Susan Derber, Senior Vice President

By /s/

Mitchell K. Nomura, Director

</TABLE>

CONSENT AND AGREEMENT

To induce Agent and Lenders to enter into this document, the undersigned (a) consents and agrees to this document's execution and delivery, (b) ratifies and confirms that all guaranties, assurances, Liens, and subordinations granted, conveyed, or assigned to Agent and Lenders under the Loan Documents (as they may

have been renewed, extended, and amended) are not released, diminished, impaired, reduced, or otherwise adversely affected by this document and continue to guarantee, assure, secure, and subordinate other debt to the full payment and performance of all present and future Obligation, (c) agrees to perform those acts and duly authorize, execute, acknowledge, deliver, file, and record those additional guaranties, assignments, security agreements, deeds of trust, mortgages, and other agreements, documents, instruments, and certificates as Agent or any Lender may reasonably deem necessary or appropriate in order to create, perfect, preserve, and protect those guaranties, assurances, Liens, and subordinations, (d) represents and warrants to Agent and Lenders that (i) the value of the consideration received and to be received by the undersigned in respect of those guaranties, assurances, Liens, and subordinations are reasonably worth at least as much as the related liability and obligation, (ii) that liability and obligation may reasonably be expected to directly or indirectly benefit the undersigned, and (iii) the undersigned is -- and after giving effect to those guaranties, assurances, Liens, subordinations, and the Loan Documents, in light of all existing facts and circumstances (including, without limitation, collateral for and other obligors in respect of the Obligation and various components of it and various rights of subrogation and contribution), the undersigned will be -- Solvent, and (e) waives notice of acceptance of this consent and agreement, which consent and agreement binds the undersigned and its successors and permitted assigns and inures to Agent, each Lender, and their successors and permitted assigns.

Signature Page to Eighth Amendment

MATRIX BANCORP, INC., as Guarantor

By _____ /s/
Guy A. Gibson, Chief Executive
Officer and President

Signature Page to Eighth Amendment

NINTH AMENDMENT TO
 AMENDED AND RESTATED LOAN AGREEMENT

THIS DOCUMENT is entered into as of February 22, 1999, between MATRIX FINANCIAL SERVICES CORPORATION, an Arizona corporation ("Borrower"), the Lenders listed on the signature page below, and BANK ONE, TEXAS, N.A., as Agent (in that capacity "Agent").

Borrower, Lenders, and Agent have entered into the Amended and Restated Loan Agreement (as renewed, extended, amended, or restated, the "Loan Agreement") dated as of January 31, 1997, providing for loans to Borrower both on a revolving and a term basis. Borrower, Agent, and Lenders have agreed, upon the following terms and conditions, to amend the Credit Agreement as described in Paragraph 2 below.

Accordingly, for adequate and sufficient consideration, Borrower, Lenders, and Agent agree as follows:

1. TERMS AND REFERENCES. Unless otherwise stated in this document (A) terms -----

defined in the Loan Agreement have the same meanings when used in this document and (B) all references to "Sections," "Schedules," and "Exhibits" are to the Loan Agreement's sections, schedules, and exhibits.

2. AMENDMENTS. The Loan Agreement is hereby amended as follows: -----

(A) Section 1.1 is amended to entirely amend or add the following definitions in alphabetical order with the other definitions in that section:

"Applicable-Covered Rate" means -- for each Borrowing-Purpose Category in the table below -- the annual interest rate stated beside that category:

<TABLE>
 <CAPTION>

Borrowing-Purpose Category <S>	Applicable-Covered Rate <C>
Gestation Borrowings	0.850%
Repurchase Borrowings	1.375%
Nonconforming-Bulk Borrowings	2.000%
Other Warehouse Borrowings	1.250%
Indirect-Warehouse Borrowings	1.500%
Working-Capital Borrowings	1.500%
Term-Line Borrowings	2.000%
Overline Borrowings	As agreed by Borrower and Bank One from time to time

</TABLE>

"Applicable Margin" means -- for each Borrowing-Purpose Category and relevant Borrowing-Price Category in the table below -- the positive or negative interest margin beside those categories:

<TABLE>
 <CAPTION>

Borrowing-Purpose Category	Borrowing-Price Category	Applicable Margin
----------------------------	--------------------------	-------------------

<S>	<C>	<C>
Gestation Borrowings	Base Rate	0.000%
	Fed-Funds Rate or LIBOR	0.850%
Swing Borrowings	Base Rate	0.000%

Ninth Amendment

<S>	<C>	<C>
Borrowing-Purpose Category	Borrowing-Price Category	Applicable Margin
	Fed-Funds Rate	1.250%
Nonconforming-Bulk Borrowings	Base Rate	1.000%
	Fed-Funds Rate or LIBOR	2.000%
Repurchase Borrowings	Base Rate	0.000%
	Fed-Funds Rate or LIBOR	1.375%
Other Warehouse Borrowings	Base Rate	0.000%
	Fed-Funds Rate or LIBOR	1.250%
Indirect-Warehouse Borrowings	Base Rate	0.000%
	Fed-Funds Rate or LIBOR	1.500%
Working-Capital Borrowings	Base Rate	0.500%
	Fed-Funds Rate or LIBOR	1.500%
Term-Line Borrowings	Base Rate	1.000%
	Fed-Funds Rate or LIBOR	2.000%
Overline Borrowings	Base Rate	As agreed by Borrower and Bank One from time to time.
	Fed-Funds Rate or LIBOR	As agreed by Borrower and Bank One from time to time.

"Approved Originator" means any Originator who (a) has entered into a Three-Party Agreement with Borrower and Agent, (b) has a minimum net worth of \$250,000, (c) has been in business for a minimum of three years, (d) has submitted its Current Financial statements to Agent, and (e) is from time to time named on a list agreed to by Agent and Borrower (which list Agent shall furnish to any Lender upon request) as that list may be amended from time to time (i) by Borrower and Agent to remove or add other names as Agent and Borrower may agree, (ii) by either Agent or Determining Lenders to remove any such other Person after Agent has or Determining Lenders have given to Borrower notice of (and an opportunity to discuss) the proposed removal of that Person, or (iii) automatically (without signing by any party) to remove any such Person who then (A) is not Solvent, (B) fails to pay its debts generally as they become due, (C) voluntarily seeks, consents to, or acquiesces in the benefit of any Debtor Law, (D) becomes a party to or is made the subject of any proceeding provided for by any Debtor Law (other than as a creditor or claimant) that could suspend or otherwise adversely affect the Rights of any Company, Agent, or any Lender in connection with the transactions contemplated in the Originator Documents or Loan Documents, (E) is in default under its Indirect-Warehouse Loan Agreement, or (F) fails to be agency qualified in any respect.

"Bailee Letter" means, as applicable under the circumstances, one of the letters executed and delivered by Agent in substantially the form of Exhibit C-4.

"Borrowing-Purpose Category" means any category of Borrowing determined with respect to its purpose, e.g., a (a) Warehouse Borrowing, which may be a Dry Borrowing, Wet Borrowing, Gestation Borrowing, Swing Borrowing, Second-Lien Borrowing, Nonconforming

Ninth Amendment

Borrowing, Nonconforming-Bulk Borrowing, or Repurchase Borrowing, (b) Working-Capital Borrowing, which may be a P&I Borrowing, T&I Borrowing, or Foreclosure Borrowing, or (c) Term-Line Borrowing.

"Eligible-Nonconforming Loan" is defined in Schedule 4.1.

"Eligible-Nonconforming-Bulk Loan" is defined in Schedule 4.1.

"Eligible-Indirect-Warehouse Loan" is defined in Schedule 4.1.

"Guarantor" means Matrix Bancorp, Inc., a Colorado corporation.

"Indirect-Warehouse Borrowings" means a Warehouse Borrowing which is (a) a Ratable Borrowing or Swing Borrowing, (b) subject to the Indirect-Warehouse Sublimit, and (c) supported by the Borrowing Base for Eligible-Indirect-Warehouse Loans.

"Indirect-Warehouse Sublimit" means \$10,000,000.

"Indirect-Warehouse Collateral" means all Indirect-Warehouse Documents offered as Collateral under the Loan Documents.

"Indirect-Warehouse Documents" means, for any Approved Originator, its Indirect-Warehouse Loan Agreement and the documents and items described on Schedule 4.3 and required to be delivered to Agent under Section 4.3.

"Indirect-Warehouse Loan Agreement" means a loan agreement between Borrower and an Approved Originator under which, among other things (a) Borrower provides financing to that Approved Originator for its Mortgage Loan origination and acquisition until those Mortgage Loans are sold in the secondary market, and (b) that Approved Originator grants to Borrower first-priority Liens upon, among other things, the Mortgage Collateral delivered to or for Borrower by or for that Approved Originator.

"Jumbo Sublimit", at any time, means, unless otherwise approved by Agent in writing, (a) for all Jumbo Loans (except Eligible-Nonconforming Loans, Eligible-Nonconforming-Bulk Loans, Eligible-Repurchased Loans, or Eligible-Second-Lien Loans), 35% of the total Warehouse Commitments, and (b) for any Jumbo Loan (except Eligible-Nonconforming Loans, Eligible-Nonconforming-Bulk Loans, Eligible-Repurchase Loans, or Eligible-Second-Lien Loans) in excess of \$750,000, only the first \$750,000.

"Nonconforming Borrowing" means a Warehouse Borrowing which is (a) a Ratable Borrowing or Swing Borrowing, (b) subject to the Nonconforming Sublimit, and (c) supported by the Borrowing Base for Eligible-Nonconforming Loans.

"Nonconforming Bulk-Borrowing" means a Warehouse Borrowing which is (a) a Ratable Borrowing or Swing Borrowing, (b) subject to the Nonconforming Sublimit, and (c) supported by the Borrowing Base for Eligible-Nonconforming-Bulk Loans.

"Nonconforming Loans" means, collectively, Eligible-Nonconforming Loans and Eligible-Nonconforming-Bulk Loans.

"Nonconforming Sublimit" means (a) for all Nonconforming Loans, \$45,000,000 and (b) for Eligible-Nonconforming-Bulk Loans, \$35,000,000.

"Originator" means any Person who originates and acquires Mortgage Loans and markets and sells then in the secondary market.

"Overline Borrowing" means a Borrowing under the Overline Facility, which may not be a Nonconforming Borrowing, a Nonconforming Bulk Borrowing, a Repurchase Borrowing, or a Second-Lien Borrowing.

"Repurchase Sublimit" means \$20,000,000.

"Revolving Subordinated Loan Agreement" means the Revolving Loan Agreement dated August 1, 1995, between Borrower and Guarantor.

"Servicing Portfolio" means, at any time, the total unpaid principal amount of Mortgage Loans serviced by Borrower for a fee, the servicing rights to which are owned by Borrower, other than any Mortgage Loans serviced by Borrower under a subservicing agreement or a master servicing agreement.

"Three-Party Agreement" means a Three-Party Agreement entered into between Agent, Borrower, and an Approved Originator substantially in the form of Exhibit G.

"Tranche A" means that portion of Term-Line Borrowings that (a) is advanced for the purpose of leveraging certain portions of Borrower's existing Servicing Portfolio, (b) may not be reborrowed under this agreement on or after the Tranche A-Actual-Termination Date, and (c) may not exceed an amount equal at any time to the lesser of either (i) the total Term-Line Commitments minus Tranche B or (ii) \$15,000,000.

"Tranche A-Actual-Termination Date" means the earlier of either (a) the Tranche A-Stated-Termination Date or (b) the date on which all of the Term-Line Commitments have otherwise terminated or been canceled.

"Tranche A-Stated-Termination Date" means February 22, 1999.

"Tranche B" means that portion of Term-Line Borrowings that (a) is advanced for the purpose of financing certain Servicing Portfolio acquisitions, (b) may not be reborrowed under this agreement on or after the Tranche B-Actual-Termination Date, and (c) may not exceed an amount equal at any time to the lesser of either (i) the total Term-Line Commitments minus Tranche A or (ii) \$30,000,000.

"Tranche B-Actual-Termination Date" means the earlier of either (a) the Tranche B-Stated-Termination Date or (b) the date on which all of the Term-Line Commitments have otherwise terminated or been canceled.

"Tranche B-Stated-Termination Date" means June 30, 1999.

"Warehouse-Stated-Termination Date" means June 30, 1999.

"Warehouse Borrowing" means a Ratable Borrowing or Swing Borrowing that is (a) advanced to Borrower under the Warehouse Commitment, (b) either a Dry Borrowing, Wet Borrowing, Gestation Borrowing (which may not be a Swing Borrowing), Nonconforming Borrowing, Nonconforming-Bulk Borrowing, Second-Lien Borrowing, Indirect-Warehouse Borrowing, or Repurchase Borrowing, and (c) supported by the Borrowing Base for Mortgage Collateral.

"Wet Sublimit" means, at any time, a percentage of the total Warehouse Commitments, which percentage is (a) 35% for the first five and last five Business Days of each Calendar Month, and (b) 25% at all other times

(B) Clause (h) of the definition of "Adjusted-Tangible-Net Worth" in Section 1.1 is entirely amended as follows:

"(h) Borrower's direct and indirect guaranties of Debt of any other Person (other than Matrix Bancorp, Inc.), minus"

(C) The parenthetical in the definition of "Approved Investor" in Section 1.1 is entirely amended as follows:

"(separate lists will be maintained for Nonconforming Borrowings, Second-Lien Borrowings, and for all other Warehouse Borrowings)"

(D) Clause (b) of the definition of "Total-Adjusted Debt" in Section 1.1 is entirely amended as follows:

"(b) obligations under repurchase agreements used to finance Mortgage Securities, minus"

(E) The definition of "B/C-Paper Sublimit," "Committed B/C-Paper Borrowing," "Eligible-Committed-B/C-Paper Loan," "Eligible-Uncommitted-B/C-Paper Loan," "Equi-Mor," and "Uncommitted-B/C-Paper Sublimit" is entirely deleted from Section 1.1.

(F) Section 2.1(a) is entirely amended as follows:

(a) Warehouse Commitments. Subject to the limitations below and other provisions of the Loan Documents, on a revolving basis, and on Business Days before the Warehouse-Actual-Termination Date, each Lender severally agrees to provide its Commitment Percentage (except for Agent in respect of Swing Borrowings) of Warehouse Borrowings so long as, in each case, no Warehouse Borrowing may be disbursed that would cause any of the following applicable limitations to be exceeded, which limitations must be read together and are not mutually exclusive:

- . The sum (without duplication) of the total Principal Debt plus the total LC Exposure may never exceed the lesser of either (a) the total Combined Commitments and the Overline Facility, or (b) the total Borrowing Base.
- . The total Principal Debt of all Warehouse Borrowings may never exceed the lesser of either (i) the total Warehouse Commitments or (ii) the sum of the Borrowing Base for Mortgage Collateral plus the Borrowing Base for Gestation Collateral minus the Principal Debt of all Overline Borrowings.
- . The total Principal Debt of all Swing Borrowings may never exceed the Swing Sublimit.
- . The total Principal Debt of all Wet Borrowings may never exceed the Wet Sublimit.
- . The total Principal Debt of all Gestation Borrowings may never exceed the lesser of either (i) the Gestation Sublimit or (ii) the Borrowing Base for Gestation Collateral.
- . The total Principal Debt of all Nonconforming Borrowings may never exceed the lesser of either (i) the Nonconforming Sublimit or (ii) the Borrowing Base for Eligible-Nonconforming Loans.
- . The total Principal Debt of all Nonconforming-Bulk Borrowings may never exceed the lesser of either (i) the Nonconforming Sublimit or (ii) the Borrowing Base for Eligible-Nonconforming Bulk Loans.

Ninth Amendment

5

- . The total Principal Debt of all Second-Lien Borrowings may never exceed the lesser of either (i) the Second-Lien Sublimit or (ii) the Borrowing Base for Eligible-Second-Lien Loans.
- . The total Principal Debt of all Indirect-Warehouse Borrowings may never exceed the lesser of either (i) the Indirect-Warehouse Sublimit or (ii) the Borrowing Base for Eligible-

Indirect-Warehouse Loans.

- . The total Principal Debt of all Repurchase Borrowings may never exceed the lesser of either (i) the Repurchase Sublimit or (ii) the Borrowing Base for Eligible-Repurchased Loans.
- . Except for Agent in respect of Swing Borrowings, no Lender's direct or indirect portion of the Principal Debt under this clause (a) may ever exceed either its Warehouse Commitment or its Commitment Percentage for Warehouse Borrowings.
- . No Warehouse Borrowing may be made on a day that is not a Business Day, or on or after the Warehouse-Actual-Termination Date.
- . Each disbursement of a Warehouse Borrowing must be at least \$25,000.

(G) The fourth bullet point in Section 2.1(c) is entirely deleted.

(H) Section 3.3 is entirely amended as follows:

3.3 Scheduled Payments. Unless otherwise provided in this agreement, Borrower shall pay the Obligation in accordance with the following table:

<TABLE> <CAPTION> Obligation <S>	Payable <C>
Interest on each LIBOR Borrowing except at the Default Rate	As it accrues on (a) the last day of that Borrowing's Interest Period and -- if that Interest Period is longer than three months -- 90 days after its first day and each 90 days after that and (b) on the Warehouse-Actual-Termination Date (for Warehouse and Working-Capital Borrowings) or the final maturity date of the applicable tranche for Term-Line Borrowings, as the case may be
Interest on each other Borrowing except at the Default Rate	On (a) the 15th day of each Calendar Month as it accrued on the last day of the preceding Calendar Month and (b) on the Warehouse-Actual-Termination Date or the final maturity date of the applicable tranche for Term-Line Borrowings, as the case may be
Interest at the Default Rate regardless of Borrowing-Price Category	On demand as it accrues
Principal Debt of Swing Borrowings and Overline Borrowings	On demand
Other Principal Debt of, and other Obligation related to, Warehouse Borrowings and Working-Capital Borrowings	On the Warehouse-Actual-Termination Date
Principal Debt of Tranche A outstanding on the Tranche A-Actual-Termination Date	In consecutive, equal, monthly installments commencing on the Tranche A-Actual-Termination Date and continuing on the same day of each ensuing Calendar Month, with the last installment being made on February 22, 2004, accompanied by the balance of all related Obligation then remaining unpaid
Principal Debt of Tranche B outstanding on	In consecutive, equal, monthly installments commencing on

</TABLE>

<TABLE>
<CAPTION>

Obligation <S>	Payable <C>
the Tranche B-Actual-Termination Date	June 30, 1999, and continuing on the same day of each ensuing Calendar Month, with the last installment being made on June 30, 2004, accompanied by the balance of all Obligation then remaining unpaid

</TABLE>

(I) Section 3.5(a)(ii) is entirely amended as follows:

(ii) Principal Debt of all non-Swing Borrowings in the order below -- payable ratably to each Lender in accordance with its Commitment Percentage -- except as the order may be rearranged by Agent to the extent possible to avoid the application of any Funding Loss for LIBOR Borrowings. Principal Debt shall be applied (A) to the Borrowing-Purpose Category to the extent the collections or proceeds are from or arose in respect of the Collateral in its Borrowing Base and (B) then in the following order:

- . Term-Line Borrowings
- . Foreclosure Borrowings
- . P&I Borrowings
- . T&I Borrowings
- . Nonconforming-Bulk Borrowings (Wet Borrowings first)
- . Nonconforming Borrowings (Wet Borrowings first)
- . Repurchase Borrowings (Wet Borrowings first)
- . Second-Lien Borrowings (Wet Borrowings first)
- . Indirect-Warehouse Borrowings (Wet Borrowings first)
- . Other Wet Borrowings
- . Other Dry Borrowings (other than Gestation Borrowings)
- . Gestation Borrowings

(J) Section 3.5(b)(vi) is entirely amended as follows:

(vi) Principal Debt in the order below -- payable ratably to each Lender in accordance with its Termination Percentage -- except as the order may be rearranged by Agent to the extent possible to avoid the application of any Funding Loss for LIBOR Borrowings. For purposes of this section, no distinction shall be made whether the Borrowings arose under the Warehouse Commitments or the Overline Facility. Principal Debt shall be applied (A) to the Borrowing-Purpose Category to the extent the collections or proceeds are from or arose in respect of the Collateral in its Borrowing Base and (B) then in the following order:

- . Term-Line Borrowings
- . Foreclosure Borrowings
- . P&I Borrowings
- . T&I Borrowings
- . Nonconforming-Bulk Borrowings (Wet Borrowings first)
- . Nonconforming Borrowings (Wet Borrowings first)
- . Repurchase Borrowings (Wet Borrowings first)
- . Second-Lien Borrowings (Wet Borrowings first)
- . Indirect-Warehouse Borrowings (Wet Borrowings first)
- . Other Wet Borrowings
- . Other Dry Borrowings (other than Gestation Borrowings)
- . Gestation Borrowings

(K) Section 3.14 is entirely amended as follows:

3.14 Fees. The following are not compensation for the use, detention, or forbearance of money, are in addition to and not in lieu of interest and expenses otherwise described in the Loan Documents, are non-refundable, bear interest if not paid when due at

Ninth Amendment

the Default Rate, and are calculated on the basis of actual days (including the first but excluding the last) elapsed over a year of 360 days (or actual days during that year, if the calculation would otherwise result in exceeding the Maximum Amount and the payment were deemed to be interest notwithstanding the above provisions to the contrary):

(a) Agent's Fees. Borrower shall pay to Agent -- for its sole account -- administrative, syndication, and custodial fees in amounts and upon such payment terms as may be separately agreed upon by Borrower and Agent in writing.

(b) Warehouse Unused Facility Fee. Borrower shall pay to Agent an unused facility fee for Lenders payable in arrears on the 15th day of each Calendar Month for the preceding Calendar Month and on the Warehouse-Actual-Termination Date. Each payment of the unused facility fee is a percentage per annum calculated for the period in which it accrued as the product of 0.125% multiplied by the amount by which (i) the average-daily total Warehouse Commitment exceeds (ii) the average daily Principal Debt relating to Warehouse Borrowings.

(c) Working-Capital Commitment Fee. Borrower shall pay to Agent a commitment fee for Lenders payable in arrears on the 15th day of the Calendar Quarter for the preceding Calendar Quarter and on the Warehouse-Actual-Termination Date. Each payment of the commitment fee is a percentage per annum calculated for the period in which it accrued as the product of 0.150% multiplied by the total Working-Capital Commitment.

(d) Term-Line Commitment Fee. Borrower shall pay to Agent a commitment fee for Lenders payable in arrears on the 15th day of the Calendar Quarter for the preceding Calendar Quarter and on the Tranche B-Stated-Termination Date. Each payment of the commitment fee is a percentage per annum calculated for the period in which it accrued as the product of 0.250% multiplied by the amount by the total Term-Line Commitment.

(e) LC Issuance Fees. On the date that any LC is issued under this agreement, Borrower shall pay to Agent -- for its sole account --an LC issuance fee of 1.25% multiplied by the face amount of the LC being issued.

(L) The phrase "or pooling" is entirely deleted from Section 4.5(a).

(M) Section 8.1 is entirely amended as follows:

8.1 Debt. No Company may directly or indirectly create, incur,

permit to exist, or commit to create or incur (a) any Wet Borrowings except in connection with this agreement or in connection with any Permitted Debt whose description specifically allows for Wet Borrowings, (b) any mortgage loan repurchase agreements (except in connection with any Permitted Debt whose description specifically allows for mortgage loan repurchase agreements or as otherwise permitted by Agent in writing), or (c) any other Debt except the following (collectively, the "Permitted Debt"):

- (i) Obligations to pay Taxes.
- (ii) Liabilities for accounts payable, non-capitalized equipment or operating leases, and similar liabilities if in each case incurred in the ordinary course of business.
- (iii) Accrued expenses, deferred credits, and loss contingencies that are properly classified as liabilities under GAAP.
- (iv) The Obligation.

Ninth Amendment

8

- (v) Up to \$825,000 in Debt (including related letters of

credit and reimbursement agreements) under a municipal bond financing facility with U.S. Bank National Association (formerly known as Colorado National Bank).

- (vi) Up to \$1,235,000 in Debt under a land acquisition loan from First Security Bank, which can be replaced by up to \$5,000,000 in Debt under a land acquisition/development loan from Bank One, Colorado.
- (vii) Up to \$15,000,000 in warehouse Debt with Argo Federal Savings Bank that involves financings of a Company's origination or acquisition of mortgage loans until they are sold in the secondary market.
- (viii) Up to \$400,000 in Debt (but not warehouse-type Debt) under a facility with Piper-Jaffray (American Strategic Income Portfolio, Inc.) as that amount may be reduced but not increased at any time on or after the Closing Date.
- (ix) Debt under a Revolving Subordinated Loan Agreement between Borrower and Guarantor, providing (in terms acceptable to Agent) that any liabilities arising under the Revolving Subordinated Loan Agreement are expressly subordinated to the Obligation.
- (x) Guaranty by the Companies of up to \$20,000,000 principal and all other indebtedness of Matrix Bancorp, Inc. under a combination revolving and term credit facility provided by Bank One, Texas, N.A., and other lenders, as that facility may be renewed, extended, amended, or restated from time to time.
- (xi) Debt (other than the above) incurred after the date of this agreement, never to exceed \$250,000 unless approved by Agent in writing.

(N) Section 8.2(ix) is entirely deleted.

(O) Sections 8.3(xi) through (xiv), and the last paragraph of Section 8.3, are entirely amended as follows:

(xi) An investment in real property in Ft. Lupton, Colorado, valued up to \$5,000,000.

(xii) Investments in Pulte Corporation model homes, valued at no more than \$500,000.

(xiii) Loans to Approved Originators under Indirect-Warehouse Loans Agreements with a maximum commitment of \$5,000,000 to each individual Approved Originator.

(xiv) Other loans, advances, or investments, so long as the aggregate amount outstanding (defined as the amount of any such loans or advances plus the cost of any such investments) is never more than \$100,000 at any one time.

At no time may the aggregate market value of all Permitted Loans/Investments (other than Mortgage Loans and Mortgage Securities described in Section 8.3(iii) and loans described in Section 8.3(xiii) above) exceed an aggregate value of more than \$6,000,000.

(P) A new Section 8.16 is added as follows:

Ninth Amendment

9

8.16 Underwriting Guidelines. No Company may make any material change to its underwriting guidelines.

(Q) Section 9 is entirely amended as follows:

SECTION 9. FINANCIAL COVENANTS. Until all commitments by

Lenders to extend credit under this agreement have been canceled or terminated and the Obligation is fully paid and performed, Borrower covenants and agrees with Agent and Lenders as follows:

9.1 Net Worth.

(a) The Companies' Net Worth may never be less than the greater of: (i) \$13,000,000, or (ii) 90% of actual Net Worth as of the preceding fiscal year end, plus 90% of positive Net Income for each Calendar Month following such date, plus 90% of all contributions to any Company's stockholders' equity made on or after such date.

(b) The Companies' Adjusted-Net Worth may never be less than the greater of: (i) \$25,000,000, or (ii) 90% of actual Adjusted-Net Worth as of the preceding fiscal year end, plus 90% of positive Net Income for each Calendar Month following such date, plus 90% of all contributions to any Company's stockholders' equity made on or after such date.

(c) The Companies' Adjusted-Tangible-Net Worth may never be less than the greater of: (i) \$25,000,000, or (ii) 90% of actual Adjusted-Tangible-Net Worth as of the preceding fiscal year end, plus 90% of positive Net Income for each Calendar Month following such date, plus 90% of all contributions to any Company's stockholders' equity made on or after such date.

9.2 Leverage. The ratio of the Companies' Total-Adjusted Debt to Adjusted-Tangible-Net Worth may never exceed 8.0 to 1.0.

9.3 Servicing Leverage. The ratio of outstanding Term-Line Borrowings outstanding to the Companies' Adjusted-Net Worth may never exceed 2.5 to 1.0.

9.4 Subordinated Debt Leverage. The ratio of any Permitted Debt outstanding under the Revolving Subordinated Loan Agreement to the Companies' Net Worth may never exceed 2.0 to 1.0.

9.5 Cash Flow. The ratio of the Companies' historical Cash Flow to historical CMLTD may never be less than 1.3 to 1.0 at the end of any 12-month period, calculated as of the last day of each Calendar Month.

9.6 Servicing Portfolio. The Servicing Portfolio may never be less than \$4,000,000,000. Agency servicing must represent a minimum of 65% of the total Servicing Portfolio.

9.7 Servicing Delinquencies. The ratio of mortgage loans in the Servicing Portfolio that are 30 days or more delinquent, or in foreclosure or bankruptcy, to the Servicing Portfolio, may not exceed 8.0%. The ratio of mortgage loans in the Servicing Portfolio that are 90 days or more delinquent, or in foreclosure or bankruptcy, to the Servicing Portfolio, may not exceed 3.0%.

9.8 Debt to Servicing Portfolio.

Ninth Amendment

10

(a) The Principal Debt of Term-Line Borrowings may never exceed the lesser of either (i) 1.25% of the unpaid principal balance of the Servicing Portfolio, or (ii) 70% of the Appraised Value of the Servicing Portfolio.

(b) The Principal Debt of Working-Capital Borrowings and Term-Line Borrowings may never exceed the lesser of either (i) 1.25% of the unpaid principal balance of the Servicing Portfolio, or (ii) 95% of the Appraised Value of the Servicing Portfolio.

(R) Exhibit C-5 is entirely deleted.

(S) A new Exhibit G is added in the form of the attached Exhibit G.

(T) Schedules 2, 4.1, 4.2, 4.3, 6.9, and 6.10 and Exhibits C-3, C-4, C-6, D-1, D-2, D-3, and D-6 are entirely amended in the forms of, and all references in the Credit Agreement to those schedules and exhibits are changed to, the attached Fifth Amended Schedule 2, Amended Schedule 4.1, Amended Schedule 4.2, Amended Schedule 4.3, Second Amended Schedule 6.9, Amended Schedule 6.10, Amended Exhibit C-3, Amended Exhibit C-4, Amended Exhibit C-5, Second Amended Exhibit D-1, Amended Exhibit D-2, Second Amended Exhibit D-3, and Amended Exhibit D-6 respectively.

3. CONDITIONS PRECEDENT. Notwithstanding any contrary provision, the

foregoing paragraphs in this document are not effective unless and until (A) the representations and warranties in this document are true and correct and (B) Agent receives (1) counterparts of this document executed by each party on the signature pages of this document and (2) each document and other item listed on the attached Annex A, each of which must be in form and substance acceptable to Agent and its special counsel.

4. RATIFICATIONS. To induce Agent and Lenders to enter into this document,

Borrower (A) ratifies and confirms all provisions of the Loan Documents as amended by this document, (B) ratifies and confirms that all guaranties, assurances, and Liens granted, conveyed, or assigned to Agent and Lenders under the Loan Documents (as they may have been renewed, extended, and amended) are not released, reduced, or otherwise adversely affected by this document and continue to guarantee, assure, and secure full payment and performance of the present and future Obligation, and (C) agrees to perform those acts and duly authorize, execute, acknowledge, deliver, file, and record those additional documents, and certificates as Agent or any Lender may request in order to create, perfect, preserve, and protect those guaranties, assurances, and Liens .

5. REPRESENTATIONS. To induce Agent and Lenders to enter into this

document, Borrower represents and warrants to Agent and Lenders that as of the date of this document (A) Borrower has all requisite authority and power to execute, deliver, and perform its obligations under this document, which execution, delivery, and performance have been duly authorized by all necessary corporate action, require no action by or filing with any Tribunal, do not violate its corporate charter or bylaws, or (except where not a Material-Adverse Event) violate any Law applicable to it or any material agreement to which it or its assets are bound, (B) upon execution and delivery by all parties to it, this document will constitute Borrower's legal and binding obligation, enforceable against it in accordance with their respective terms except as that enforceability may be limited by Debtor Laws and general principles of equity, (C) all other representations and warranties in the Loan Documents are true and correct in all material respects except to the extent that (1) any of them speak to a different specific date or (2) the facts on which any of them were based have been changed by transactions contemplated or permitted by the Loan Agreement, and (D) no Material-Adverse Event, Default, or Potential Default exists.

6. EXPENSES. Borrower shall pay all costs, fees, and expenses paid or

incurred by Agent incident to this document, including, without limitation, the reasonable fees and expenses of Agent's special counsel in connection with the negotiation, preparation, delivery, and execution of this document and any related documents.

Ninth Amendment

11

7. MISCELLANEOUS. All references in the Loan Documents to the "Loan

Agreement" to the Loan Agreement as amended by this document. This document is a "Loan Document" referred to in the Loan Agreement; therefore, the provisions relating to Loan Documents in Sections 1 and 12 are incorporated in this document by reference. Except as specifically amended and modified in this

document, the Loan Agreement is unchanged and continues in full force and effect. This document may be executed in any number of counterparts with the same effect as if all signatories had signed the same document. All counterparts must be construed together to constitute one and the same instrument. This document binds and inures to each of the undersigned and their respective successors and permitted assigns, subject to Section 12.12.

THIS DOCUMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

REMAINDER OF PAGE INTENTIONALLY BLANK.
SIGNATURE PAGE FOLLOWS.

EXECUTED as of the date first stated in this Ninth Amendment to Amended and Restated Loan Agreement.

<TABLE>
<CAPTION>
<S>

MATRIX FINANCIAL SERVICES CORPORATION, as Borrower

<C>
BANK ONE, TEXAS, N.A., as Agent, as a Lender, and as Bank One

By _____ /s/
George R. Bender, President

By _____ /s/
Mark L. Freeman, Vice President

U.S. BANK NATIONAL ASSOCIATION, formerly Colorado National Bank, as a Lender

RESIDENTIAL FUNDING CORPORATION, as a Lender

By _____ /s/
Susan Derber, Vice President

By _____ /s/
Mitchell K. Nomura, Director

</TABLE>

CONSENT AND AGREEMENT

To induce Agent and Lenders to enter into this document, the undersigned (a) consents and agrees to this document's execution and delivery, (b) ratifies and confirms that all guaranties, assurances, Liens, and subordinations granted, conveyed, or assigned to Agent and Lenders under the Loan Documents (as they may have been renewed, extended, and amended) are not released, diminished, impaired, reduced, or otherwise adversely affected by this document and continue to guarantee, assure, secure, and subordinate other debt to the full payment and performance of all present and future Obligation, (c) agrees to perform those acts and duly authorize, execute, acknowledge, deliver, file, and record those additional guaranties, assignments, security agreements, deeds of trust, mortgages, and other agreements, documents, instruments, and certificates as Agent or any Lender may reasonably deem necessary or appropriate in order to create, perfect, preserve, and protect those guaranties, assurances, Liens, and subordinations, (d) represents and warrants to Agent and Lenders that (i) the value of the consideration received and to be received by the undersigned in respect of those guaranties, assurances, Liens, and subordinations are reasonably worth at least as much as the related liability and obligation, (ii) that liability and obligation may reasonably be expected to directly or indirectly benefit the undersigned, and (iii) the undersigned is -- and after giving effect to those guaranties, assurances, Liens, subordinations, and the Loan Documents, in light of all existing facts and circumstances (including, without limitation, collateral for and other obligors in respect of the Obligation and various components of it and various rights of subrogation and contribution), the undersigned will be -- Solvent, and (e) waives notice of acceptance of this consent and agreement, which consent and agreement binds the undersigned and its successors and permitted assigns and inures to Agent, each Lender, and their successors and permitted assigns.

MATRIX BANCORP, INC., as Guarantor

By _____ /s/

Guy A. Gibson, Chief Executive
Officer and President

Signature Page to Ninth Amendment

WAREHOUSE NOTE

\$45,000,000

February 22, 1999

FOR VALUE RECEIVED, MATRIX FINANCIAL SERVICES CORPORATION, an Arizona corporation ("Borrower"), promises to pay to the order BANK ONE, TEXAS, N.A. ("Lender") that portion of the principal amount of \$45,000,000 that may from time to time be disbursed and outstanding under this note together with interest.

This note is a "Warehouse Note" under the Amended and Restated Loan Agreement (as renewed, extended, amended, or restated, the "Loan Agreement") dated as of January 31, 1997, between Borrower, Lender, certain other Lenders, and Bank One, Texas, N.A., as Agent for Lenders. All of the defined terms in the Loan Agreement have the same meanings when used, unless otherwise defined, in this note.

This note incorporates by reference the principal and interest payment terms in the Loan Agreement for this note, including, without limitation, the final maturity, which is the Warehouse-Actual-Termination Date. Principal and interest are payable to the holder of this note through Agent at either (a) its offices at 1717 Main Street, Dallas, Texas 75201, or (b) at any other address so designated by Agent in written notice to Borrower.

This note incorporates by reference all other provisions in the Loan Agreement applicable to this note, such as provisions for disbursements of principal, applicable-interest rates before and after Default, voluntary and mandatory prepayments, acceleration of maturity, exercise of Rights, payment of attorneys' fees, court costs, and other costs of collection, certain waivers by Borrower and other obligors, assurances and security, choice of Texas and United States federal Law, usury savings, and other matters applicable to Loan Documents under the Loan Agreement.

This note is an amendment, restatement, renewal, extension, modification of, consolidation of, and substitution for, the existing Warehouse Notes (as the same may have been amended and replaced to the date hereof, the "Former Notes") which Former Notes were executed and delivered pursuant to the Loan Agreement.

MATRIX FINANCIAL SERVICES CORPORATION, as
Borrower

By _____ /s/

George R. Bender, President

WAREHOUSE NOTE

\$37,500,000

February 22, 1999

FOR VALUE RECEIVED, MATRIX FINANCIAL SERVICES CORPORATION, an Arizona corporation ("Borrower"), promises to pay to the order U.S. BANK NATIONAL ASSOCIATION ("Lender") that portion of the principal amount of \$37,500,000 that may from time to time be disbursed and outstanding under this note together with interest.

This note is a "Warehouse Note" under the Amended and Restated Loan Agreement (as renewed, extended, amended, or restated, the "Loan Agreement") dated as of January 31, 1997, between Borrower, Lender, certain other Lenders, and Bank One, Texas, N.A., as Agent for Lenders. All of the defined terms in the Loan Agreement have the same meanings when used, unless otherwise defined, in this note.

This note incorporates by reference the principal and interest payment terms in the Loan Agreement for this note, including, without limitation, the final maturity, which is the Warehouse-Actual-Termination Date. Principal and interest are payable to the holder of this note through Agent at either (a) its offices at 1717 Main Street, Dallas, Texas 75201, or (b) at any other address so designated by Agent in written notice to Borrower.

This note incorporates by reference all other provisions in the Loan Agreement applicable to this note, such as provisions for disbursements of principal, applicable-interest rates before and after Default, voluntary and mandatory prepayments, acceleration of maturity, exercise of Rights, payment of attorneys' fees, court costs, and other costs of collection, certain waivers by Borrower and other obligors, assurances and security, choice of Texas and United States federal Law, usury savings, and other matters applicable to Loan Documents under the Loan Agreement.

This note is an amendment, restatement, renewal, extension, modification of, consolidation of, and substitution for, the existing Warehouse Notes (as the same may have been amended and replaced to the date hereof, the "Former Notes") which Former Notes were executed and delivered pursuant to the Loan Agreement.

MATRIX FINANCIAL SERVICES CORPORATION, as Borrower

By _____ /s/

George R. Bender, President

WAREHOUSE NOTE

\$37,500,000

February 22, 1999

FOR VALUE RECEIVED, MATRIX FINANCIAL SERVICES CORPORATION, an Arizona corporation ("Borrower"), promises to pay to the order RESIDENTIAL FUNDING CORPORATION ("Lender") that portion of the principal amount of \$37,500,000 that may from time to time be disbursed and outstanding under this note together with interest.

This note is a "Warehouse Note" under the Amended and Restated Loan Agreement (as renewed, extended, amended, or restated, the "Loan Agreement") dated as of January 31, 1997, between Borrower, Lender, certain other Lenders, and Bank One, Texas, N.A., as Agent for Lenders. All of the defined terms in the Loan Agreement have the same meanings when used, unless otherwise defined, in this note.

This note incorporates by reference the principal and interest payment terms in the Loan Agreement for this note, including, without limitation, the final maturity, which is the Warehouse-Actual-Termination Date. Principal and interest are payable to the holder of this note through Agent at either (a) its offices at 1717 Main Street, Dallas, Texas 75201, or (b) at any other address so designated by Agent in written notice to Borrower.

This note incorporates by reference all other provisions in the Loan Agreement applicable to this note, such as provisions for disbursements of principal, applicable-interest rates before and after Default, voluntary and mandatory prepayments, acceleration of maturity, exercise of Rights, payment of attorneys' fees, court costs, and other costs of collection, certain waivers by Borrower and other obligors, assurances and security, choice of Texas and United States federal Law, usury savings, and other matters applicable to Loan Documents under the Loan Agreement.

This note is an amendment, restatement, renewal, extension, modification of, consolidation of, and substitution for, the existing Warehouse Notes (as the same may have been amended and replaced to the date hereof, the "Former Notes") which Former Notes were executed and delivered pursuant to the Loan Agreement.

MATRIX FINANCIAL SERVICES CORPORATION, as Borrower

By _____ /s/

George R. Bender, President

AMENDED AND RESTATED TERM-LINE NOTE

\$15,000,000

February 22, 1999

FOR VALUE RECEIVED, MATRIX FINANCIAL SERVICES CORPORATION, an Arizona corporation ("Borrower"), promises to pay to the order of BANK ONE, TEXAS, N.A. ("Lender"), that portion of the principal amount of \$15,000,000 that may from time to time be disbursed and outstanding under this note together with interest.

This note is a "Term-Line Note" under the Amended and Restated Loan Agreement (as renewed, extended, amended, or restated, the "Loan Agreement") dated as of January 31, 1997, between Borrower, Lender, certain other Lenders, and Bank One, Texas, N.A., as Agent for Lenders. All of the defined terms in the Loan Agreement have the same meanings when used -- unless otherwise defined -- in this note.

This note incorporates by reference the principal and interest payment terms in the Loan Agreement for this note, including, without limitation, the final maturity. Principal and interest are payable to the holder of this note through Agent at either (a) its offices at 1717 Main Street, Dallas, Texas 75201, or (b) at any other address so designated by Agent in written notice to Borrower.

This note incorporates by reference all other provisions in the Loan Agreement applicable to this note -- such as provisions for disbursements of principal, applicable-interest rates before and after Default, voluntary and mandatory prepayments, acceleration of maturity, exercise of Rights, payment of attorneys' fees, court costs, and other costs of collection, certain waivers by Borrower and other obligors, assurances and security, choice of Texas and United States federal Law, usury savings, and other matters applicable to Loan Documents under the Loan Agreement.

This note is an amendment, restatement, renewal, extension, modification of, consolidation of, and substitution for, the existing Term-Line Notes (as the same may have been amended and replaced to the date hereof, the "Former Notes"), which Former Notes were executed and delivered pursuant to the Loan Agreement.

MATRIX FINANCIAL SERVICES CORPORATION, as
Borrower

By /s/

George R. Bender, President

Amended Exhibit A-5

AMENDED AND RESTATED TERM-LINE NOTE

\$15,000,000

February 22, 1999

FOR VALUE RECEIVED, MATRIX FINANCIAL SERVICES CORPORATION, an Arizona corporation ("Borrower"), promises to pay to the order of U.S. BANK NATIONAL ASSOCIATION ("Lender"), that portion of the principal amount of \$15,000,000 that may from time to time be disbursed and outstanding under this note together with interest.

This note is a "Term-Line Note" under the Amended and Restated Loan Agreement (as renewed, extended, amended, or restated, the "Loan Agreement") dated as of January 31, 1997, between Borrower, Lender, certain other Lenders, and Bank One, Texas, N.A., as Agent for Lenders. All of the defined terms in the Loan Agreement have the same meanings when used -- unless otherwise defined -- in this note.

This note incorporates by reference the principal and interest payment terms in the Loan Agreement for this note, including, without limitation, the final maturity. Principal and interest are payable to the holder of this note through Agent at either (a) its offices at 1717 Main Street, Dallas, Texas 75201, or (b) at any other address so designated by Agent in written notice to Borrower.

This note incorporates by reference all other provisions in the Loan Agreement applicable to this note -- such as provisions for disbursements of principal, applicable-interest rates before and after Default, voluntary and mandatory prepayments, acceleration of maturity, exercise of Rights, payment of attorneys' fees, court costs, and other costs of collection, certain waivers by Borrower and other obligors, assurances and security, choice of Texas and United States federal Law, usury savings, and other matters applicable to Loan Documents under the Loan Agreement.

This note is an amendment, restatement, renewal, extension, modification of, consolidation of, and substitution for, the existing Term-Line Notes (as the same may have been amended and replaced to the date hereof, the "Former Notes"), which Former Notes were executed and delivered pursuant to the Loan Agreement.

MATRIX FINANCIAL SERVICES CORPORATION, as
Borrower

By

/s/

George R. Bender, President

AMENDED AND RESTATED TERM-LINE NOTE

\$15,000,000

February 22, 1999

FOR VALUE RECEIVED, MATRIX FINANCIAL SERVICES CORPORATION, an Arizona corporation ("Borrower"), promises to pay to the order of RESIDENTIAL FUNDING CORPORATION ("Lender"), that portion of the principal amount of \$15,000,000 that may from time to time be disbursed and outstanding under this note together with interest.

This note is a "Term-Line Note" under the Amended and Restated Loan Agreement (as renewed, extended, amended, or restated, the "Loan Agreement") dated as of January 31, 1997, between Borrower, Lender, certain other Lenders, and Bank One, Texas, N.A., as Agent for Lenders. All of the defined terms in the Loan Agreement have the same meanings when used -- unless otherwise defined -- in this note.

This note incorporates by reference the principal and interest payment terms in the Loan Agreement for this note, including, without limitation, the final maturity. Principal and interest are payable to the holder of this note through Agent at either (a) its offices at 1717 Main Street, Dallas, Texas 75201, or (b) at any other address so designated by Agent in written notice to Borrower.

This note incorporates by reference all other provisions in the Loan Agreement applicable to this note -- such as provisions for disbursements of principal, applicable-interest rates before and after Default, voluntary and mandatory prepayments, acceleration of maturity, exercise of Rights, payment of attorneys' fees, court costs, and other costs of collection, certain waivers by Borrower and other obligors, assurances and security, choice of Texas and United States federal Law, usury savings, and other matters applicable to Loan Documents under the Loan Agreement.

This note is an amendment, restatement, renewal, extension, modification of, consolidation of, and substitution for, the existing Term-Line Notes (as the same may have been amended and replaced to the date hereof, the "Former Notes"), which Former Notes were executed and delivered pursuant to the Loan Agreement.

MATRIX FINANCIAL SERVICES
CORPORATION, as Borrower

By

/s/

George R. Bender, President

AMENDED AND RESTATED WORKING-CAPITAL NOTE

\$5,000,000

February 22, 1999

FOR VALUE RECEIVED, MATRIX FINANCIAL SERVICES CORPORATION, an Arizona corporation ("Borrower"), promises to pay to the order of BANK ONE, TEXAS, N.A. ("Lender") that portion of the principal amount of \$5,000,000 that may from time to time be disbursed and outstanding under this note together with interest.

This note is a "Working-Capital Note" under the Amended and Restated Loan Agreement (as renewed, extended, amended, or restated, the "Loan Agreement") dated as of January 31, 1997, between Borrower, Lender, certain other Lenders, and Bank One, Texas, N.A., as Agent for Lenders. All of the defined terms in the Loan Agreement have the same meanings when used -- unless otherwise defined -- in this note.

This note incorporates by reference the principal and interest payment terms in the Loan Agreement for this note, including, without limitation, the final maturity, which is the Warehouse-Actual-Termination Date. Principal and interest are payable to the holder of this note through Agent at either (a) its offices at 1717 Main Street, Dallas, Texas 75201, or (b) at any other address so designated by Agent in written notice to Borrower.

This note incorporates by reference all other provisions in the Loan Agreement applicable to this note -- such as provisions for disbursements of principal, applicable-interest rates before and after Default, voluntary and mandatory prepayments, acceleration of maturity, exercise of Rights, payment of attorneys' fees, court costs, and other costs of collection, certain waivers by Borrower and other obligors, assurances and security, choice of Texas and United States federal Law, usury savings, and other matters applicable to Loan Documents under the Loan Agreement.

This note is an amendment, restatement, renewal, extension, modification of, consolidation of, and substitution for, the existing Receivables Notes (as the same may have been amended and replaced to the date hereof, the "Former Notes"), which Former Notes were executed and delivered pursuant to the Loan Agreement.

MATRIX FINANCIAL SERVICES CORPORATION, as
Borrower

By

/s/

George R. Bender, President

AMENDED AND RESTATED WORKING-CAPITAL NOTE

\$2,500,000

February 22, 1999

FOR VALUE RECEIVED, MATRIX FINANCIAL SERVICES CORPORATION, an Arizona corporation ("Borrower"), promises to pay to the order of U.S. BANK NATIONAL ASSOCIATION ("Lender") that portion of the principal amount of \$2,500,000 that may from time to time be disbursed and outstanding under this note together with interest.

This note is a "Working-Capital Note" under the Amended and Restated Loan Agreement (as renewed, extended, amended, or restated, the "Loan Agreement") dated as of January 31, 1997, between Borrower, Lender, certain other Lenders, and Bank One, Texas, N.A., as Agent for Lenders. All of the defined terms in the Loan Agreement have the same meanings when used -- unless otherwise defined -- in this note.

This note incorporates by reference the principal and interest payment terms in the Loan Agreement for this note, including, without limitation, the final maturity, which is the Warehouse-Actual-Termination Date. Principal and interest are payable to the holder of this note through Agent at either (a) its offices at 1717 Main Street, Dallas, Texas 75201, or (b) at any other address so designated by Agent in written notice to Borrower.

This note incorporates by reference all other provisions in the Loan Agreement applicable to this note -- such as provisions for disbursements of principal, applicable-interest rates before and after Default, voluntary and mandatory prepayments, acceleration of maturity, exercise of Rights, payment of attorneys' fees, court costs, and other costs of collection, certain waivers by Borrower and other obligors, assurances and security, choice of Texas and United States federal Law, usury savings, and other matters applicable to Loan Documents under the Loan Agreement.

This note is an amendment, restatement, renewal, extension, modification of, consolidation of, and substitution for, the existing Receivables Notes (as the same may have been amended and replaced to the date hereof, the "Former Notes"), which Former Notes were executed and delivered pursuant to the Loan Agreement.

MATRIX FINANCIAL SERVICES CORPORATION, as
Borrower

By _____ /s/

George R. Bender, President

AMENDED AND RESTATED WORKING-CAPITAL NOTE

\$2,500,000

February 22, 1999

FOR VALUE RECEIVED, MATRIX FINANCIAL SERVICES CORPORATION, an Arizona corporation ("Borrower"), promises to pay to the order of RESIDENTIAL FUNDING CORPORATION ("Lender") that portion of the principal amount of \$2,500,000 that may from time to time be disbursed and outstanding under this note together with interest.

This note is a "Working-Capital Note" under the Amended and Restated Loan Agreement (as renewed, extended, amended, or restated, the "Loan Agreement") dated as of January 31, 1997, between Borrower, Lender, certain other Lenders, and Bank One, Texas, N.A., as Agent for Lenders. All of the defined terms in the Loan Agreement have the same meanings when used -- unless otherwise defined -- in this note.

This note incorporates by reference the principal and interest payment terms in the Loan Agreement for this note, including, without limitation, the final maturity, which is the Warehouse-Actual-Termination Date. Principal and interest are payable to the holder of this note through Agent at either (a) its offices at 1717 Main Street, Dallas, Texas 75201, or (b) at any other address so designated by Agent in written notice to Borrower.

This note incorporates by reference all other provisions in the Loan Agreement applicable to this note -- such as provisions for disbursements of principal, applicable-interest rates before and after Default, voluntary and mandatory prepayments, acceleration of maturity, exercise of Rights, payment of attorneys' fees, court costs, and other costs of collection, certain waivers by Borrower and other obligors, assurances and security, choice of Texas and United States federal Law, usury savings, and other matters applicable to Loan Documents under the Loan Agreement.

This note is an amendment, restatement, renewal, extension, modification of, consolidation of, and substitution for, the existing Receivables Notes (as the same may have been amended and replaced to the date hereof, the "Former Notes"), which Former Notes were executed and delivered pursuant to the Loan Agreement.

MATRIX FINANCIAL SERVICES CORPORATION, as
Borrower

By

/s/

George R. Bender, President

FIFTH AMENDMENT TO CREDIT AGREEMENT

(AND WAIVER)

THIS DOCUMENT is entered into as of November 12, 1998, between MATRIX CAPITAL CORPORATION, a Colorado corporation ("Borrower"), the Determining Lenders described below, and BANK ONE, TEXAS, N.A., as Agent for Determining Lenders.

Borrower, Determining Lenders, and Agent are party to the Credit Agreement (as renewed, extended, and amended, the "Credit Agreement") dated as of March 12, 1997, providing for a \$8,500,000 Term Loan and a Revolving Facility of up to \$11,500,000. Borrower, Determining Lenders, and Agent have agreed, upon the following terms and conditions, to (a) waive Determining Lenders' right to declare a Default under Section 10.1 of the Credit Agreement resulting from certain transactions described below (the "Subject Transactions") involving Borrower and Equi-Mor Holdings, Inc. ("Equi-Mor") and, consequently, Borrower's failure to observe the requirements of Sections 8.1, 8.2, and 8.3 of the Loan Agreement, (b) to amend Sections 8.1, 8.2, and 8.3 of the Loan Agreement to permit future Subject Transactions, and (c) to make certain related changes as described in Paragraph 2 below.

1. TERMS AND REFERENCES. Unless otherwise stated in this document (A) terms ----- defined in the Credit Agreement have the same meanings when used in this document and (B) references to "Sections," "Schedules," and "Exhibits" are to the Credit Agreement's sections, schedules, and exhibits.

2. AMENDMENTS. The Credit Agreement is amended as follows:

(A) Section 1.1 is amended by adding the following new definition in alphabetical order with the definitions in that section:

"Equi-Mor" means Equi-Mor Holdings, Inc., a Nevada corporation and wholly-owned Subsidiary of Matrix Financial.

(B) Section 8.1(g) is entirely amended as follows:

(g) Charter-School Debt. Debt of Equi-Mor owed to U.S. Bancorp ----- Investments, Inc., on a short-term basis for financing charter-school leases or loans until they can be sold in the secondary market, for which Borrower has no direct or contingent liability; provided, however, that if Borrower is either directly or contingently liable, the amount of such Debt may not exceed \$18,500,000 at any time on or before January 31, 1999.

(C) A new Section 8.2(l) is added as follows:

(l) Charter-School Liens. Liens incurred on or before January ----- 31, 1999, that secure only the Debt described in Section 8.1(g), that do not cover any Collateral, and that cover only the charter-school leases or loans of Equi-Mor financed with that Debt and related assets such as proceeds.

(D) Section 8.3(m) is added as follows:

(m) Charter-School Assets. Investments made on or before January ----- 31, 1999, in charter-school leases or loans originated or acquired by Equi-Mor in the ordinary course of business.

3. WAIVERS. Determining Lenders waive any past or present Default existing -----

solely as a result of Borrower's failure to observe the requirements of Sections 8.1, 8.2, and 8.3 in connection with the Subject Transactions. Except as expressly stated, this paragraph is not a waiver of existing or future Potential Defaults or Defaults or a waiver of Agent's or any Lender's rights to insist upon compliance by all other relevant parties with each Loan Document.

4. CONDITIONS PRECEDENT. Notwithstanding any contrary provision, the foregoing

paragraphs in this document are not effective unless and until (A) the representations and warranties in this document are true and correct, and (B) Agent receives counterparts of this document executed by Agent, Determining Lenders, Borrower, and each other Company named on the signature pages of this document.

5. RATIFICATIONS. To induce Agent and Determining Lenders to enter into this

document, Borrower (A) ratifies and confirms all provisions of the Loan Documents as amended by this document, (B) ratifies and confirms that all guaranties, assurances, and Liens granted, conveyed, or assigned to Agent and Lenders under the Loan Documents (as they may have been renewed, extended, and amended) are not released, reduced, or otherwise adversely affected by this document and continue to guarantee, assure, and secure full payment and performance of the present and future Obligation, and (C) agrees to perform those acts and duly authorize, execute, acknowledge, deliver, file, and record those additional agreements, and certificates as Agent or any Lender may request in order to create, perfect, preserve, and protect those guaranties, assurances, and Liens.

6. REPRESENTATIONS. To induce Agent and Determining Lenders to enter into this

document, Borrower represents and warrants to Agent and Determining Lenders that as of the date of this document (A) each Company has all requisite authority and power to execute, deliver, and perform its obligations under this document, which execution, delivery, and performance have been duly authorized by all necessary corporate action, require no action by or filing with any Tribunal, do not violate corporate charter or bylaws or (except where not a Material-Adverse Event) violate any Law applicable to it or any material agreement to which it or its assets are bound, (B) upon execution and delivery by all parties to it, this document will constitute each Company's legal and binding obligation, enforceable against it in accordance with this document's terms except as that enforceability may be limited by Debtor Laws and general principles of equity, (C) all other representations and warranties in the Loan Documents are true and correct in all material respects except to the extent that (1) any of them speak to a different specific date or (2) the facts on which any of them were based have been changed by transactions contemplated or permitted by the Credit Agreement, and (D) no Material-Adverse Event, Default, or Potential Default exists.

7. EXPENSES. Borrower shall, subject to a contrary written agreement between

Agent and Borrower, pay all costs, fees, and expenses paid or incurred by Agent incident to this document, including, without limitation, the reasonable fees and expenses of Agent's counsel in connection with the negotiation, preparation, delivery, and execution of this document and any related agreements.

8. MISCELLANEOUS. All references in the Loan Documents to the "Credit

Agreement" refer to the Credit Agreement as amended by this document. This document is a "Loan Document" referred to in the Credit Agreement; therefore, the provisions relating to Loan Documents in Sections 1 and 12 are incorporated in this document by reference. Except as specifically amended and modified in this document, the Credit Agreement is unchanged and continues in full force and effect. This document may be executed in any number of counterparts with the same effect as if all signatories had signed the same document. All counterparts must be construed together to constitute one and the same instrument. THIS DOCUMENT BINDS AND INURES TO EACH OF THE UNDERSIGNED AND THEIR RESPECTIVE SUCCESSORS AND PERMITTED ASSIGNS, SUBJECT TO SECTION 12.12. THIS DOCUMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES IN RESPECT OF THE MATTERS COVERED BY THE LOAN DOCUMENTS AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL

AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

EXECUTED as of the date first stated in this Fifth Amendment to Credit Agreement.

<TABLE>
<CAPTION>
<S>

MATRIX CAPITAL CORPORATION, as
Borrower

<C>
BANK ONE, TEXAS, N.A., as Agent and a
Lender

By _____ /s/
David W. Kloos, Chief Financial Officer
</TABLE>

By _____ /s/
Mark L. Freeman, Vice President

U.S. BANK NATIONAL ASSOCIATION,
formerly Colorado National Bank,
as a Lender

By _____ /s/
Andrea C. Koeneke,
Vice President

1 of 2 Signature Pages to
Fifth Amendment to Credit Agreement

CONSENT AND AGREEMENT

To induce Agent and Determining Lenders to enter into this document, the undersigned jointly and severally (a) consent and agree to this document's execution and delivery, (b) ratify and confirm that all guaranties, assurances, Liens, and subordinations granted, conveyed, or assigned to Agent or any Lender under the Loan Documents (as they may have been renewed, extended, and amended) are not released, diminished, impaired, reduced, or otherwise adversely affected by this document and continue to guarantee, assure, secure, and subordinate other debt to the full payment and performance of all present and future Obligation, (c) agree to perform those acts and duly authorize, execute, acknowledge, deliver, file, and record those additional guaranties, assignments, security agreements, deeds of trust, mortgages, and other agreements, agreements, instruments, and certificates as Agent or any Lender may reasonably deem necessary or appropriate in order to create, perfect, preserve, and protect those guaranties, assurances, Liens, and subordinations, (d) represent and warrant to Agent and Determining Lenders that (i) the value of the consideration received and to be received by the undersigned in respect of those guaranties, assurances, Liens, and subordinations are reasonably worth at least as much as the related liability and obligation, (ii) that liability and obligation may reasonably be expected to directly or indirectly benefit the undersigned, and (iii) each undersigned is -- and after giving effect to those guaranties, assurances, Liens, subordinations, and the Loan Documents, in light of all existing facts and circumstances (including, without limitation, collateral for and other obligors in respect of the Obligation and various components of it and various rights of subrogation and contribution), each undersigned will be -- Solvent, and (e) waive notice of acceptance of this consent and agreement, which consent and agreement binds the undersigned and their successors and permitted assigns and inures to Agent and Determining Lenders and their respective successors and permitted assigns.

<TABLE>
<CAPTION>
<S>

MATRIX FINANCIAL SERVICES CORPORATION UNITED CAPITAL MARKETS, INC.
and MATRIX FUNDING CORPORATION

By _____ /s/
George R. Bender, President of
each above Company

UNITED FINANCIAL, INC.

By _____ /s/
Austin Tilghman, President

UNITED SPECIAL SERVICES, INC.

By _____ /s/
Richard Schmitz, Chairman

VINTAGE DELAWARE HOLDINGS, INC.

By _____ /s/
Linda Preston, President

FIRST MATRIX INVESTMENT SERVICES CORP.
and THE VINTAGE GROUP, INC.

By _____ /s/
David W. Kloos, Chairman

By _____ /s/
Paul E. Skretny, Chairman of the
Board and Chief Executive Officer
of each above Company

</TABLE>

2 of 2 Signature Pages to
Fifth Amendment to Credit Agreement

SIXTH AMENDMENT TO CREDIT AGREEMENT

THIS DOCUMENT is entered into as of January 29, 1999, between MATRIX CAPITAL CORPORATION, a Colorado corporation ("Borrower"), the Lenders described below, and BANK ONE, TEXAS, N.A., as Agent for Lenders.

Borrower, Lenders, and Agent are party to the Credit Agreement (as renewed, extended, and amended, the "Credit Agreement") dated as of March 12, 1997, providing for a \$8,500,000 Term Loan and a Revolving Facility of up to \$11,500,000. Borrower, Lenders, and Agent have agreed, upon the following terms and conditions, to extend the Stated-Termination Date for the Commitments and modify the amount of Charter-School Debt allowable as Permitted Debt under the Credit Agreement.

1. TERMS AND REFERENCES. Unless otherwise stated in this document (A) terms

defined in the Credit Agreement have the same meanings when used in this document and (B) references to "Sections," "Schedules," and "Exhibits" are to the Credit Agreement's sections, schedules, and exhibits.

2. AMENDMENT. Section 8.1(g) of the Credit Agreement is entirely amended as

follows:

(g) Charter-School Debt. Debt of Equi-Mor owed to U.S. Bancorp

Investments, Inc. (or its successor or assignee), on a short-term basis for financing charter-school leases or loans until they can be sold in the secondary market, for which Borrower has no direct or contingent liability; provided, however, that if Borrower is either directly or contingently liable, the amount of such Debt may not exceed the lesser of either (i) 10% of Borrower's Net Worth or (ii) \$5,000,000.

3. CONDITIONS PRECEDENT. Notwithstanding any contrary provision, the foregoing

paragraphs in this document are not effective unless and until (A) the representations and warranties in this document are true and correct, and (B) Agent receives counterparts of this document executed by Agent, Lenders, Borrower, and each other Company named on the signature pages of this document.

4. RATIFICATIONS. To induce Agent and Lenders to enter into this document,

Borrower (A) ratifies and confirms all provisions of the Loan Documents as amended by this document, (B) ratifies and confirms that all guaranties,

assurances, and Liens granted, conveyed, or assigned to Agent and Lenders under the Loan Documents (as they may have been renewed, extended, and amended) are not released, reduced, or otherwise adversely affected by this document and continue to guarantee, assure, and secure full payment and performance of the present and future Obligation, and (C) agrees to perform those acts and duly authorize, execute, acknowledge, deliver, file, and record those additional agreements, and certificates as Agent or any Lender may request in order to create, perfect, preserve, and protect those guaranties, assurances, and Liens.

5. REPRESENTATIONS. To induce Agent and Lenders to enter into this document,

Borrower represents and warrants to Agent and Lenders that as of the date of this document (A) each Company has all requisite authority and power to execute, deliver, and perform its obligations under this document, which execution, delivery, and performance have been duly authorized by all necessary corporate action, require no action by or filing with any Tribunal, do not violate corporate charter or bylaws or (except where not a Material-Adverse Event) violate any Law applicable to it or any material agreement to which it or its assets are bound, (B) upon execution and delivery by all parties to it, this document will constitute each Company's legal and binding obligation, enforceable against it in accordance with this document's terms except as that enforceability may be limited by Debtor Laws and general principles of equity, (C) all other representations

Sixth Amendment to Credit Agreement

and warranties in the Loan Documents are true and correct in all material respects except to the extent that (1) any of them speak to a different specific date or (2) the facts on which any of them were based have been changed by transactions contemplated or permitted by the Credit Agreement, and (D) no Material-Adverse Event, Default, or Potential Default exists.

6. EXPENSES. Borrower shall, subject to a contrary written agreement between

Agent and Borrower, pay all costs, fees, and expenses paid or incurred by Agent incident to this document, including, without limitation, the reasonable fees and expenses of Agent's counsel in connection with the negotiation, preparation, delivery, and execution of this document and any related agreements.

7. MISCELLANEOUS. All references in the Loan Documents to the "Credit

Agreement" refer to the Credit Agreement as amended by this document. This document is a "Loan Document" referred to in the Credit Agreement; therefore, the provisions relating to Loan Documents in Sections 1 and 12 are incorporated in this document by reference. Except as specifically amended and modified in this document, the Credit Agreement is unchanged and continues in full force and effect. This document may be executed in any number of counterparts with the same effect as if all signatories had signed the same document. All counterparts must be construed together to constitute one and the same

instrument. This document binds and inures to each of the undersigned and their respective successors and permitted assigns, subject to Section 12.12. THIS DOCUMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES IN RESPECT OF THE MATTERS COVERED BY THE LOAN DOCUMENTS AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

REMAINDER OF PAGE INTENTIONALLY BLANK.
SIGNATURE PAGES FOLLOW.

Sixth Amendment to Credit Agreement

EXECUTED as of the date first stated in this Sixth Amendment to Credit Agreement.

<TABLE>
<CAPTION>

<S>
MATRIX CAPITAL CORPORATION, as
Borrower

<C>
ONE, TEXAS, N.A., as Agent and a
Lender

By _____ /s/

By _____ /s/

David W. Kloos, Chief Financial Officer
</TABLE>

Mark L. Freeman, Vice President

U.S. BANK NATIONAL ASSOCIATION,
formerly Colorado National Bank,
as a Lender

By _____ /s/

Andrea C. Koeneke,
Vice President

1 of 2 Signature Pages to
Sixth Amendment to Credit Agreement

CONSENT AND AGREEMENT

To induce Agent and Lenders to enter into this document, the undersigned jointly and severally (a) consent and agree to this document's execution and

delivery, (b) ratify and confirm that all guaranties, assurances, Liens, and subordinations granted, conveyed, or assigned to Agent or any Lender under the Loan Documents (as they may have been renewed, extended, and amended) are not released, diminished, impaired, reduced, or otherwise adversely affected by this document and continue to guarantee, assure, secure, and subordinate other debt to the full payment and performance of all present and future Obligation, (c) agree to perform those acts and duly authorize, execute, acknowledge, deliver, file, and record those additional guaranties, assignments, security agreements, deeds of trust, mortgages, and other agreements, agreements, instruments, and certificates as Agent or any Lender may reasonably deem necessary or appropriate in order to create, perfect, preserve, and protect those guaranties, assurances, Liens, and subordinations, (d) represent and warrant to Agent and Lenders that (i) the value of the consideration received and to be received by the undersigned in respect of those guaranties, assurances, Liens, and subordinations are reasonably worth at least as much as the related liability and obligation, (ii) that liability and obligation may reasonably be expected to directly or indirectly benefit the undersigned, and (iii) each undersigned is -- and after giving effect to those guaranties, assurances, Liens, subordinations, and the Loan Documents, in light of all existing facts and circumstances (including, without limitation, collateral for and other obligors in respect of the Obligation and various components of it and various rights of subrogation and contribution), each undersigned will be -- Solvent, and (e) waive notice of acceptance of this consent and agreement, which consent and agreement binds the undersigned and their successors and permitted assigns and inures to Agent and Lenders and their respective successors and permitted assigns.

<TABLE>

<CAPTION>

<S>

MATRIX FINANCIAL SERVICES
CORPORATION and MATRIX FUNDING
CORPORATION

<C>

UNITED CAPITAL MARKETS, INC.

By /s/

George R. Bender, President of
each above Company

By /s/

Austin Tilghman, President

UNITED FINANCIAL, INC.

UNITED SPECIAL SERVICES, INC.

By /s/

Richard Schmitz, Chairman

By /s/

Linda Preston, President

VINTAGE DELAWARE HOLDINGS, INC.

FIRST MATRIX INVESTMENT SERVICES
CORP. and THE VINTAGE GROUP, INC.

By /s/

David W. Kloos, Chairman

By /s/

Paul E. Skretny, Chairman
of the Board and Chief Executive
Officer of each above Company

</TABLE>

2 of 2 Signature Pages
Sixth Amendment to Credit Agreement

PROMISSORY NOTE

Dated: February 15, 1999

Principal Amount: \$53,362.32

State of Colorado

FOR VALUE RECEIVED, the undersigned hereby jointly and severally promise to pay to the order of Matrix Capital Corporation.

The sum of Fifty-three Thousand, Three Hundred and Sixty-two and 32/100, Dollars (\$53,362.32), together with interest thereon at the rate of Prime per annum on the unpaid balance. Said sum shall be paid in the manner following:

All principal and interest shall be due on February 15, 2000.

All payment shall be first applied to interest and the balance to principal. This note may be prepaid, at any time, in whole or in part, without penalty. All prepayments shall be applied in reverse order of maturity.

This note shall at the option of any holder hereof be immediately due and payable upon the failure to make any payment due hereunder within N/A days of its due date.

This note at the option of any holder hereof may be extended on an annual basis for increments of one (1) year. The terms and interest rate will remain constant.

In the event this note shall be in default, and placed with an attorney for collection, then the undersigned agree to pay all reasonable attorney's fees and costs of collection. Payments not made within five (5) days of due date shall be subject to a late charge of 2% of said payment. All payments hereunder shall be made to such address as may from time to time be designed by any holder hereof.

The undersigned and all other parties to this note, whether as endorsers, guarantors or sureties, agree to remain fully bound hereunder until this note shall be fully paid and waive demand, presentment and protest and all notices thereto and further agree to remain bound, notwithstanding any extension, renewal, modification, waiver, or other indulgence by any holder or upon the discharge or release of any obligor hereunder to this note, or upon the exchange, substitution, or release of any collateral granted as security for this note. No modification or indulgence by any holder hereof shall be binding unless in writing: and any indulgence on any one occasion shall not be an indulgence for any other or future occasion. Any modification or change of terms, hereunder granted by any holder hereof, shall be valid and binding upon each of the undersigned, notwithstanding the acknowledgment of any of the undersigned, and each of the undersigned does hereby irrevocably grant to each

of the others a power of attorney to enter into any such modification on their behalf. The rights of any holder hereof shall be cumulative and not necessarily successive. This note shall take effect as sealed instrument and shall be construed, governed and enforced in accordance with the laws of the State first appearing at the head of this note. The undersigned hereby execute this note as principals and not as sureties.

Maker:

/s/

Thomas P. Cronin

PROMISSORY NOTE

Dated: September 30, 1998

Principal Amount: \$7,500

State of Colorado

FOR VALUE RECEIVED, the undersigned hereby jointly and severally promise to pay to the order of Matrix Capital Corporation.

The sum of Seven Thousand Five Hundred and 00/100, Dollars (\$7,500.00), together with interest thereon at the rate of Prime per annum on the unpaid balance. Said sum shall be paid in the manner following:

All principal and interest shall be due on September 29, 1999.

All payment shall be first applied to interest and the balance to principal. This note may be prepaid, at any time, in whole or in part, without penalty. All prepayments shall be applied in reverse order of maturity.

This note shall at the option of any holder hereof be immediately due and payable upon the failure to make any payment due hereunder within N/A days of its due date.

This note at the option of any holder hereof may be extended on an annual basis for increments of one (1) year. The terms and interest rate will remain constant.

In the event this note shall be in default, and placed with an attorney for collection, then the undersigned agree to pay all reasonable attorney's fees and costs of collection. Payments not made within five (5) days of due date shall be subject to a late charge of 2% of said payment. All payments hereunder shall be made to such address as may from time to time be designed by any holder hereof.

The undersigned and all other parties to this note, whether as endorsers, guarantors or sureties, agree to remain fully bound hereunder until this note shall be fully paid and waive demand, presentment and protest and all notices thereto and further agree to remain bound, notwithstanding any extension, renewal, modification, waiver, or other indulgence by any holder or upon the discharge or release of any obligor hereunder to this note, or upon the exchange, substitution, or release of any collateral granted as security for this note. No modification or indulgence by any holder hereof shall be binding unless in writing: and any indulgence on any one occasion shall not be an indulgence for any other or future occasion. Any modification or change of

terms, hereunder granted by any holder hereof, shall be valid and binding upon each of the undersigned, notwithstanding the acknowledgment of any of the undersigned, and each of the undersigned does hereby irrevocably grant to each of the others a power of attorney to enter into any such modification on their behalf. The rights of any holder hereof shall be cumulative and not necessarily successive. This note shall take effect as sealed instrument and shall be construed, governed and enforced in accordance with the laws of the State first appearing at the head of this note. The undersigned hereby execute this note as principals and not as sureties.

Maker:

/s/

Thomas P. Cronin

EXHIBIT 21

Matrix Capital Corporation

Subsidiaries of the Registrant

1. Matrix Financial Services Corporation - Incorporated in Arizona
2. United Financial, Inc. - Incorporated in Colorado
3. Matrix Capital Bank - Organized pursuant to a Federal savings and loan charter
4. United Special Services, Inc. - Incorporated in Colorado
5. United Capital Markets, Inc. - Incorporated in Colorado
6. The Vintage Group Inc. - Incorporated in Texas
7. Vintage Delaware Holdings, Inc. - Incorporated in Delaware
8. Sterling Trust Company - Incorporated in Texas
9. First Matrix Investment Services Corp. - Incorporated in Texas
10. Matrix Funding Corp. - Incorporated in Colorado
11. Matrix Advisory Services Corporation - Incorporated in Colorado
12. Equi-Mor Holdings, Inc. - Incorporated in Nevada
13. Matrix Aviation Corporation - Incorporated in Colorado
14. MCNP-1 Corp. - Incorporated in New Mexico
15. Leader Acquisition Corp. - Incorporated in Delaware

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-36671) pertaining to the 1996 Amended and Restated Employee Stock Option Plan and the 1996 Employee Stock Purchase Plan of Matrix Capital Corporation of our report dated

March 18, 1999, with respect to the consolidated financial statements of Matrix Bancorp, Inc. (formerly known as Matrix Capital Corporation) as of December 31, 1997 and 1998 and for each of the three years in the period ended December 31, 1998 included in the Form 10-K for the year ended December 31, 1998.

/s/ ERNST & YOUNG LLP

Phoenix, Arizona
March 26, 1999

<TABLE> <S> <C>

<ARTICLE> 9

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	YEAR
<FISCAL-YEAR-END>	DEC-31-1998
<PERIOD-START>	JAN-01-1998
<PERIOD-END>	DEC-31-1998
<CASH>	18,665
<INT-BEARING-DEPOSITS>	8,120
<FED-FUNDS-SOLD>	0
<TRADING-ASSETS>	0
<INVESTMENTS-HELD-FOR-SALE>	0
<INVESTMENTS-CARRYING>	0
<INVESTMENTS-MARKET>	0
<LOANS>	852,158
<ALLOWANCE>	3,710
<TOTAL-ASSETS>	1,012,640
<DEPOSITS>	587,340
<SHORT-TERM>	284,845
<LIABILITIES-OTHER>	29,157
<LONG-TERM>	61,944
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	1
<OTHER-SE>	49,353
<TOTAL-LIABILITIES-AND-EQUITY>	1,012,640
<INTEREST-LOAN>	59,452
<INTEREST-INVEST>	1,242
<INTEREST-OTHER>	0
<INTEREST-TOTAL>	60,694
<INTEREST-DEPOSIT>	16,222
<INTEREST-EXPENSE>	36,504
<INTEREST-INCOME-NET>	24,190
<LOAN-LOSSES>	4,607
<SECURITIES-GAINS>	0
<EXPENSE-OTHER>	52,939
<INCOME-PRETAX>	13,389
<INCOME-PRE-EXTRAORDINARY>	8,513
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	8,513
<EPS-PRIMARY>	1.27
<EPS-DILUTED>	1.24
<YIELD-ACTUAL>	3.37

<LOANS-NON>	13,209
<LOANS-PAST>	0
<LOANS-TROUBLED>	0
<LOANS-PROBLEM>	0
<ALLOWANCE-OPEN>	1,756
<CHARGE-OFFS>	2,711
<RECOVERIES>	58
<ALLOWANCE-CLOSE>	3,710
<ALLOWANCE-DOMESTIC>	3,710
<ALLOWANCE-FOREIGN>	0
<ALLOWANCE-UNALLOCATED>	0

</TABLE>