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

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2004 or

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

For the transition period from ________to _________

Commission file number 000-25621

E-LOAN, INC.

(Exact name of registrant as specified in its charter)

Delaware	**77-0460084**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification Number)*

6230 Stoneridge Mall Road
Pleasanton, California 94588
(Address of principal executive offices including zip code)

(925) 847-6200
(Registrant's telephone number, including area code)

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 reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES [X] NO [ ]

As of August 2, 2004, 63,241,934 shares of the Registrant's Common Stock, $0.001 par value per share, were issued and outstanding.

E-LOAN, INC.
QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED JUNE 30, 2004
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PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

E-LOAN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	December 31, 2003	June 30, 2004 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents (includes $4,850 and $2,350 of restricted cash)	$ 33,973	$ 45,989
Loans held-for-sale	50,874	25,328
Accounts receivable, prepaids and other current assets	28,287	21,183
Total current assets	113,134	92,500
Fixed assets, net	11,484	12,775
Retained interests in auto loans - trading	11,658	14,139
Total assets	$ 136,276	$ 119,414
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Warehouse and other lines payable	$ 44,283	$ 22,420
Accounts payable, accrued expenses and other current liabilities	10,366	14,283
Total current liabilities	54,649	36,703
Total liabilities	54,649	36,703
Commitments and contingencies (Note 13):		
Stockholders' equity:		
Preferred stock, 5,000,000 $0.001 par value shares authorized at December 31, 2003 and June 30, 2004; 0 shares issued and outstanding at December 31, 2003 and June 30, 2004	--	--
Common stock, 150,000,000 $0.001 par value shares authorized at December 31, 2003 and June 30, 2004; 62,136,790 and 63,233,485 shares issued and outstanding at December 31, 2003 and June 30, 2004	62	63
Additional paid-in capital	265,144	267,077
Accumulated deficit	(183,579)	(184,429)
Total stockholders' equity	81,627	82,711
Total liabilities and stockholders' equity	$ 136,276	$ 119,414

The accompanying notes are an integral part of these financial statements.

E-LOAN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Revenues (Note 11)	$ 46,102	$ 34,651	$ 82,320	$ 66,675
Operating expenses:				
Operations (Note 12)	20,243	17,435	36,982	33,764
Sales and marketing	11,433	12,506	19,925	23,638
Technology	2,479	2,091	4,354	4,257
General and administrative	2,901	2,359	4,898	5,891
Total operating expenses	37,056	34,391	66,159	67,550
Income (loss) from operations	9,046	260	16,161	(875)
Other income, net	68	10	100	25
Income (loss) before taxes	9,114	270	16,261	(850)
Income taxes	(1,038)	--	(1,853)	--
Net income (loss)	$ 8,076	$ 270	$ 14,408	$ (850)
Net income (loss) per share:				
Basic	$ 0.13	$ 0.00	$ 0.24	$ (0.01)
Diluted	$ 0.12	$ 0.00	$ 0.22	$ (0.01)
Weighted-average shares - basic	60,177	62,915	59,888	62,620
Weighted-average shares - diluted	66,708	65,784	65,302	62,620

The accompanying notes are an integral part of these financial statements.

E-LOAN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2004
Cash flows from operating activities:		
Net income (loss)	$ 14,408	$ (850)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	2,370	2,747
Non-cash compensation expense	--	636
Changes in operating assets and liabilities:		
Loans held-for-sale	92,194	25,546
Retained interests in auto loans - trading	(5,030)	(2,481)
Accounts receivable, prepaids, and other assets	(12,582)	7,104
Accounts payable, accrued expenses and other payables	5,465	3,917
Net cash (used in) provided by operating activities	96,825	36,619
Cash flows from investing activities:		
Acquisition of fixed assets	(4,684)	(4,038)
Net cash used in investing activities	(4,684)	(4,038)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	1,434	1,298
Proceeds from notes payable	4,150	
Proceeds from warehouse and other lines payable	2,565,628	2,229,796
Repayments of warehouse and other lines payable	(2,655,784)	(2,251,659)
Payments on obligations under capital leases, net	(10)	--
Net cash (used in) provided by financing activities	(84,582)	(20,565)
Net increase (decrease) in cash	7,559	12,016
Unrestricted cash and cash equivalents, beginning of period	33,821	29,123
Change in restricted cash	--	2,500
Unrestricted cash and cash equivalents, end of period	41,380	43,639
Restricted cash and cash equivalents, end of period	2,500	2,350
Total cash and cash equivalents, end of period	$ 43,880	$ 45,989

The accompanying notes are an integral part of these financial statements.

E-LOAN, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY

E-LOAN, Inc. (the "Company") was incorporated on August 26, 1996 and began marketing its services in June 1997. The Company is an online consumer direct lender of first and second mortgage loans, home equity loans and home equity lines of credit and auto loans. The Company operates as a single operating segment.

2. BASIS OF PRESENTATION

Interim Financial Information

The accompanying financial statements as of June 30, 2003 and 2004 are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position, results of operations and cash flows as of June 30, 2003 and 2004. These financial statements and notes thereto are unaudited and should be read in conjunction with the Company's audited financial statements included in the Company's 10-K for the year ended December 31, 2003. The results for the three and six months ended June 30, 2004 are not necessarily indicative of the expected results for the year ending December 31, 2004.

Principles of Consolidation

These condensed consolidated financial statements include the accounts of E-LOAN and its wholly owned subsidiary, Escrow Closing Services, Inc. ("ECS"). ECS was incorporated on February 27, 2003 and began marketing its services in November 2003. All intercompany accounts and transactions have been eliminated in consolidation.

Reclassification

Certain amounts in the financial statements have been reclassified to conform to the 2004 presentation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in the Preparation of Financial Statements

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

Cash and Cash Equivalents

The Company considers all highly liquid monetary instruments with an original maturity of three months or less from the date of purchase, including documentary drafts, to be cash equivalents. The Company is required to maintain a minimum cash and cash equivalents balance of $15 million related to its warehouse lines. The following summarizes cash and cash equivalents at December 31, 2003 and June 30, 2004 (dollars in thousands):

		December 31, 2003		June 30, 2004
Cash	$	28,179	$	41,539
Certificates of deposit, unrestricted		75		75
Documentary drafts		869		2,025
Restricted cash		4,850		2,350
	$	33,973	$	45,989

Documentary drafts

The Company originates auto loans directly to consumers through the use of a documentary draft process. This process requires the borrower and the seller to provide the Company with a series of supporting documents and vehicle information to complete the loan. For some borrowers, the vehicle also must meet certain model year and loan-to-value restrictions.

Cash is allocated to satisfy documentary drafts presented by borrowers before the required supporting documents are reviewed by the Company to complete the loan. If the required documentation is not provided as agreed to by the borrower and seller, then the allocation of cash is reversed and the cash balance is restored. The Company's documentary draft process allows for at least two business days to process the required supporting documentation prior to determining whether to reverse or honor the original presentment by the seller.

Escrow deposits

The Company administers escrow deposits as a service to its customers. Escrow deposits totaled $5.8 million and $17.9 million at December 31, 2003 and June 30, 2004, respectively, which were held at third party financial institutions. Escrow deposits are not considered assets of the Company and, therefore, are not included in the accompanying balance sheet. However, the Company remains contingently liable for the disposition of these deposits.

Restricted Cash

In December 2003, the Company renegotiated its line of credit with Wells Fargo Bank, National Association. As part of the amendment, the Company was required to provide restricted cash in the amount of $2.35 million as collateral for this line of credit. This restricted cash is being held in certificates of deposit which mature in less than 90 days and is classified as a current asset on the Company’s accompanying consolidated balance sheet. This line of credit is being utilized to support letters of credit related to its Pleasanton, California facility as well as a letter of credit related to the Company’s surety bonds.

In March 2004, the Company renegotiated its $400 million warehouse line agreement with Greenwich Capital that required the Company to maintain a restriction of $2.5 million in cash as additional collateral. As part of the amendment, the restriction of this cash was removed.

Derivative Instruments

On January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, “Accounting for Derivative and Hedging Activities” (“SFAS 133”), as subsequently amended by Statement of Financial Accounting No. 138. In accounting for its derivative financial instruments, SFAS 133 requires an entity to recognize all derivative assets or liabilities in the statement of financial condition and measure those instruments at fair value. The accounting for changes in fair value of the derivative depends on the intended use of the derivative and the resulting designation. An entity that elects to apply hedge accounting is required to establish at the inception of the hedge, the method it will use in assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffectiveness of the hedge. These methods must be consistent with the entity’s approach to managing risk. The Company is a party to mortgage rate lock commitments to fund mortgage loans at interest rates previously agreed (locked) by both the Company and the borrower for specified periods of time. When the borrower locks their interest rate, the Company effectively extends a put option to the borrower, whereby the borrower is not obligated to enter into the loan agreement, but the Company must honor the interest rate for the specified time period. Under SFAS 133 mortgage interest rate locks are derivatives. The Company is exposed to interest rate risk during the accumulation of interest rate lock commitments and loans prior to sale. The Company utilizes either a best efforts sell forward commitment or a mandatory sell forward commitment to economically hedge the changes in fair value of the loan due to changes in market interest rates. Both best efforts and mandatory sell forward commitments are derivatives under SFAS 133. Throughout the lock period the changes in the market value of interest rate lock commitments, best efforts and mandatory sell forward commitments are recorded as unrealized gains and losses and are included in the statement of operations in mortgage revenue.

The Company's management has made complex judgments in their application of SFAS 133. The judgments include the identification of hedging instruments, hedged items, nature of the risk being hedged, and how the hedging instrument's effectiveness will be assessed. The Company designates forward delivery commitments, where the Company intends to deliver the underlying loan into the commitment, as a fair value SFAS 133 hedge at the commitment date. In addition, the Company designates all best efforts sell forward commitments as fair value SFAS 133 hedges for underlying loans at funding date. The Company does not designate mandatory sell forward agreements as SFAS 133 hedges but does utilize them to economically hedge the changes in fair value of rate lock commitments with borrowers for which a best effort sell forward commitment has not been obtained. The Company did not have a material gain or loss representing the amount of hedge ineffectiveness related to designated SFAS 133 hedges during the three and six months ended June 30, 2004. The net effect on the Company's income statement from marking to market the locked pipeline and forward commitments was a $0.9 million and $0.2 million gain, included in mortgage revenues for the three and six months ended June 30, 2004, respectively.

In September 2003, the Company began hedging its interest rate risk on auto loan approvals. When the Company issues an auto loan approval, the Company extends a put option to the borrower, whereby the borrower is not obligated to enter into the loan agreement, but the Company must honor the interest rate for up to a 45-day period. Under SFAS 133, auto loan approvals are not considered derivatives. However, the company is still exposed to interest rate risk from issuance of approval to loan sale. The Company enters into amortizing swap contracts to economically hedge the interest rate changes in auto loan approvals. These swap contracts are considered derivatives under SFAS 133. The Company marks-to-market any changes in the value of outstanding swap contracts, which are recorded as unrealized gains and losses and included in the statement of operations in auto revenue. The effect on the Company's income statement from applying SFAS 133 was a $32,000 loss and a $30,000 gain, included in auto revenues in the three and six months ended June 30, 2004, respectively.

Sale of Auto Loans to Qualified Special Purpose Entity

On June 17, 2002, the Company entered into an arrangement to sell auto loan receivables to a qualified special purpose entity ("QSPE"), E-LOAN Auto Fund One, LLC ("E-LOAN Auto"). These transactions involve the Company surrendering control over these assets to assure that the sold assets have been isolated from the Company and its creditors. As E-LOAN Auto has met the appropriate tests to be considered a QSPE, the assets and liabilities of E-LOAN Auto are not consolidated in the financial statements of the Company. E-LOAN Auto has obtained a secured borrowing facility from Merrill Lynch Bank USA to finance all purchases of loans from the Company. The Company recognizes a gain on the sale of auto loan receivables to E-LOAN Auto in the period the sale occurs, which represents the difference between the sale proceeds to the Company and the Company's net carrying value of the receivables. The Company retains an interest in the future cash flows from the loans. Such cash flows are distributed to the Company by the QSPE monthly. The retained interest is recorded on the balance sheet at fair value as a trading asset, and is marked to market at each subsequent reporting period in accordance with Statement of Financial Accounting Standards No, 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). The fair value of the retained interest is based upon the net present value of the estimated future cash flows to be received by the Company over the life of the loans. The Company makes various assumptions in order to determine the fair value of the estimated future excess cash flows to be generated by the auto loans sold to the QSPE. The most significant assumptions are the cumulative credit losses to be incurred on the pool of auto loan receivables sold, prepayment rates of the auto loans and the rate at which the estimated future excess cash flows are discounted. The assumptions used represent the Company's best estimates, and the use of different assumptions could produce different financial results. The Company will continue to monitor and may update its assumptions over time.

Net Income (Loss) Per Share

The Company computes net income (loss) per share in accordance with SFAS No. 128, *Earnings per Share*. Under the provisions of SFAS No. 128 basic net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) available to common stockholders for the period by the weighted average number of common and potential dilutive shares outstanding during the period, to the extent such potential dilutive shares are dilutive. Potential dilutive shares are composed of incremental common shares issuable upon the exercise of stock options and warrants. Anti-dilutive shares in the amounts of 1.4 million and 5.0 million were excluded from the dilutive shares outstanding for the three months ended June 30, 2003 and 2004, respectively. Anti-dilutive shares in the amounts of 2.6 million and 12.4 million were excluded from the dilutive shares outstanding for the six months ended June 30, 2003 and 2004, respectively.

The following table sets forth the computation of diluted net income (loss) per share for the periods indicated (dollars in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
	(In Thousands)		(In Thousands)	
Numerator:				
Net income (loss)	$ 8,076	$ 270	$ 14,408	$ (850)
Denominator:				
Weighted average shares, basic	60,177	62,915	59,888	62,620
Effect of potentially dilutive securities:				
Warrants	767	530	669	--
Employee stock option plan	5,764	2,339	4,745	--
Weighted average number of shares assuming dilution	66,708	65,784	65,302	62,620
Diluted net income (loss) per share	$ 0.12	$ 0.00	$ 0.22	$ (0.01)

Comprehensive Income

The Company adopted SFAS No. 130, *Reporting Comprehensive Income*, during 1998. The Company classifies items of "other comprehensive income" by their nature in the financial statements and displays the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of the balance sheet. To date, the Company has not had any transactions that are required to be reported in other comprehensive income.

Recent Accounting Pronouncements

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities -- an interpretation of ARB No. 51" ("FIN 46"). The objective of this Interpretation is not to restrict the use of variable interest entities but to improve financial reporting by enterprises involved with variable interest entities. FIN 46 states that a business enterprise with a controlling financial interest in a variable interest entity should include the assets, liabilities, and results of the activities of the variable interest entity in consolidated financial statements with those of the business enterprise. FIN 46 applied immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after December 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The adoption of this interpretation has had no effect on the Company's financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS No. 149"). SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. This Statement requires that contracts with comparable characteristics be accounted for consistently as either derivatives or hybrid instruments. This Statement is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of this statement has had no effect on the Company's financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity". SFAS No. 150 changes the accounting for certain financial instruments that under previous guidance issuers could account for as equity. It requires that those instruments be classified as liabilities in balance sheets. The guidance in SFAS No. 150 is generally effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective on July 1, 2003. The adoption of this statement has had no effect on the Company's financial statements.

In March 2004, Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 105 was issued, which provides guidance regarding loan commitments that are accounted for as derivative instruments under FASB No. 133 (as amended), "Accounting for Derivative Instruments and Hedging Activities". In this Bulletin, the SEC ruled that the amount of the expected servicing rights should not be included when determining the fair value of derivative interest rate lock commitments. This guidance must be applied to rate locks initiated after March 31, 2004. Our previous method used to estimate the fair value of interest rate lock commitments is consistent with SAB No. 105; therefore, SAB No. 105 has had no impact on the Company's financial condition or results of operations.

4. STOCK-BASED COMPENSATION

The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees* and related interpretations, and complies with the disclosure requirements of SFAS No. 123, *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148, *Accounting For Stock-Based Compensation -- Transition And Disclosure -- An Amendment Of SFAS No. 123*. Under APB No. 25, compensation expense is based on the excess of the estimated fair value of the Company's stock over the exercise price, if any, on the date of grant. Deferred stock-based compensation is then amortized over the vesting period of the option on an accelerated basis using the multiple option approach as defined in paragraph 24 of FIN 28. The Company accounts for stock issued to non-employees in accordance with the provisions of SFAS No. 123 and the Emerging Issues Task Force Consensus in Issue No. 96-18, *Accounting for Equity Instruments That Are Issued to Non-Employees for Acquiring, or in Conjunction with Selling, Goods or Services*.

The following pro forma net income (loss) information has been prepared as if the Company had followed the provisions of SFAS No. 123 (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
	(In Thousands)		(In Thousands)	
Reported net income (loss)	$ 8,076	$ 270	$ 14,408	$ (850)
Add: Employee stock compensation expense included in reported net income (loss), net of taxes	--	--	--	667
Less: Employee stock based compensation expense determined under fair value based method for all employee stock option awards, net of tax	(760)	(713)	(1,471)	(1,274)
Pro forma net income (loss)	$ 7,316	$ (443)	$ 12,937	$ (1,457)
Reported basic net income (loss) per share	$ 0.13	$ 0.00	$ 0.24	$ (0.01)
Reported diluted net income (loss) per share	$ 0.12	$ 0.00	$ 0.22	$ (0.01)
Pro-forma basic net income (loss) per share	$ 0.12	$ (0.01)	$ 0.22	$ (0.02)
Pro-forma diluted net income (loss) per share	$ 0.11	$ (0.01)	$ 0.20	$ (0.02)
Risk free interest rate - stock options	2.8%	3.2%	2.9%	2.6%
Risk free interest rate - ESPP	2.4%	2.1%	2.4%	2.1%
Average expected life - stock options	3.2	3.2	3.2	3.1
Average expected life - ESPP	2.0	2.0	2.0	2.0
Dividend yield	--	--	--	--
Expected volatility - stock options	61.1%	55.3%	60.2%	62.1%
Expected volatility - ESPP	87.2%	76.6%	87.2%	76.6%

5. LOANS HELD-FOR-SALE

The inventory of mortgage and home equity loans consists primarily of first and second trust deed mortgage loans and home equity lines of credit on residential properties located throughout the United States. All mortgage and home equity loans held-for-sale are pledged as collateral for borrowings at December 31, 2003 and June 30, 2004 (see Note 9).

The inventory of auto loans consists primarily of loans against new and used automobiles located throughout the United States. All of the auto loans held-for-sale are pledged as collateral for borrowings at December 31, 2003 and June 30, 2004 (see Note 9). The following summarizes loans held-for-sale at December 31, 2003 and June 30, 2004 (dollars in thousands):

	December 31, 2003	June 30, 2004
Mortgage	$ 32,811	$ 14,785
Home equity	13,803	6,698
Auto	4,158	3,802
Net deferred origination revenue	102	43
	$ 50,874	$ 25,328

Included in loans held-for-sale is a SFAS 133 basis adjustment amount of $0.1 million and $0 million at December

31, 2003 and June 30, 2004, respectively. The basis adjustment amount represents the change in fair value from rate lock commitment date to funding of those loans held-for-sale. The total fair value of loans held-for-sale, including the expected embedded gain on those loans, is $51.8 million and $25.9 million at December 31, 2003 and June 30, 2004, respectively.

6. ACCOUNTS RECEIVABLE, PREPAIDS AND OTHER CURRENT ASSETS

The following summarizes accounts receivable, prepaids and other current assets at December 31, 2003 and June 30, 2004 (dollars in thousands):

	December 31, 2003	June 30, 2004
Prepaids	$ 4,574	$ 2,181
Accounts receivable	21,233	16,403
Interest receivable	1,541	1,099
Other current assets	939	1,500
	$ 28,287	$ 21,183

Included in prepaids at December 31, 2003 and June 30, 2004 are prepayments for advertising in the amounts of $2.3 million and $0.7 million, respectively. Included in accounts receivable is the receivable due to the Company from sales of mortgage loans on its sale agreement with Greenwich Capital Financial Products, Inc. ("Greenwich Capital") in the amounts of $15.5 million and $9.4 million at December 31, 2003 and June 30, 2004, respectively (see Note 9). Included in other current assets is an amount related to the fair value of SFAS 133 derivatives of $0.1 million and $0.8 million at December 31, 2003 and June 30, 2004, respectively.

7. RETAINED INTERESTS IN AUTO LOANS

In June 2002, the Company created a qualified special purpose entity, E-LOAN Auto Fund One, LLC ("E-LOAN Auto"), which purchases prime auto loans from the Company and then holds the loans. For the six months ended June 30, 2003 and 2004, the Company sold $238.6 million and $245.3 million in auto loans to E-LOAN Auto and recognized $3.4 million and $4.1 million in gain on sale. In exchange for the loans sold, the Company received cash of $237.4 million and $244.0 million from E-LOAN Auto and recorded a retained interest valued at $9.0 million and $14.1 million in the loans sold to E-LOAN Auto. From inception through June 30, 2004, the Company has sold $934.5 million in auto loans to E-LOAN Auto and recognized $14.2 million in gain on sale. For the three months ended June 30, 2004, the average loan characteristics on auto loans sold to E-LOAN Auto were $16,300 loan size, 723 credit score, 19% new versus used car, and an average APR of 5.84%. The retained interest represents the Company's portion of the net present value of the expected excess cash flows over the life of the loans, remaining after payment of interest, servicing fees and credit losses. Included in the retained interest is a contributed basis in the loans sold to E-LOAN Auto of 0.5%. The contributed basis is the difference between the loan amount and the cash sale proceeds received from E-LOAN Auto of 99.5% (of the unpaid principal balance), which represents over collateralization in those loans. Cash flows are to be distributed by E-LOAN Auto in the following manner: first to the hedge counterparty, second to the servicer, custodian and administrator, third to the lender for interest expense, fourth to the lender for principal payments, fifth to the Company and the lender any remaining cash flows, to be distributed in accordance with the agreement. The servicing fee is passed through to a sub-servicer of the Company, and as such the Company does not capitalize a servicing asset for the loans sold to E-LOAN Auto, since the cost to sub-service equals the servicing fee.

The following table provides a summary of activity in the retained interests in auto loans:

	2003	2004

Beginning Balance January 1,	$ 3,969	$ 11,658
Contributed basis in loans sold to E-LOAN Auto	1,193	1,226
Non-cash gain on sale	3,389	4,081
Accretion of present value discount	448	711
Excess cash flows received	-	(3,398)
Fair value adjustment	-	(139)
Ending Balance June 30,	$ 8,999	$14,139

At June 30, 2004, key valuation assumptions used to value the retained interests and the sensitivity of those assumptions to immediate 10% and 25% adverse changes in those assumptions are as follows:

	June 30, 2004 (dollars in thousands)
Balance sheet carrying value of retained interests - fair value	$14,139
Weighted-average life (in months)	49.9
Weighted Average Prepayment speed assumptions (ABS)	1.37
Impact on fair value of 10% adverse change (1.50)	($429)
Impact on fair value of 25% adverse change (1.71)	($1,093)
Weighted Average Expected credit losses (life of loan loss rate)	67 bps
Impact on fair value of 10% adverse change (74 bps)	($453)
Impact on fair value of 25% adverse change (84 bps)	($1,141)
Residual cash flows discount rate (average annual rate)	12.0%
Impact on fair value of 10% adverse change (13.2%)	($200)
Impact on fair value of 25% adverse change (15.0%)	($490)

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value of the retained interests based on a variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also in the above table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments but increased credit losses), which might magnify or counteract the sensitivities.

The discount rate was determined by assessing the risk related to the asset to account for the present value of the cash flows to be received over the life of the loans. As a result, the retained interest asset is an interest earning asset, with interest income accreted over time at the discount rate and included in Auto Revenues. The weighted average loss rate is based on actual loss experience to date from the seasoned portions of the portfolio. The prepayment speed projects prepayments on a monthly percentage of the original loan balance. All assumptions are monitored over time and are adjusted to reflect actual performance.

8. NOTES PAYABLE

On June 30, 2003, the Company obtained a $5 million line of credit from Wells Fargo Bank, National Association to support working capital needs. The interest rate charged on borrowings against these funds is based on LIBOR plus 2% and is payable monthly. The line of credit was originally scheduled to expire on June 30, 2004. However, on December 11, 2003, the agreement was amended to reduce the line of credit to $2,350,000 and extend the expiration date to June 30, 2005. As part of the amendment, the Company was required to provide restricted cash as collateral for this line of credit (see Note 3). Currently, the line of credit is being utilized to support letters of credit related to the Pleasanton, California facility as well as a letter of credit related to the Company's surety bonds. The Company was in compliance with all debt covenants for this agreement during the three months ended and at June 30, 2004. No balance was outstanding on this line as of June 30, 2004.

9. WAREHOUSE AND OTHER LINES PAYABLE

The Company has a warehouse line of credit for borrowings of up to $75 million for the interim financing of mortgage loans with GMAC Mortgage Corporation. The interest rate charged on borrowings against these funds is variable based on LIBOR plus various percentage points. This warehouse line requires the Company to pay GMAC a non-use fee when the average outstanding principal amount of borrowings is less than 50% of the total commitment at a rate of 0.25% per annum on the daily average unutilized commitment. Borrowings are collateralized by the related mortgage loans held-for-sale. This warehouse line of credit agreement generally requires the Company to comply with various financial and non-financial covenants. In particular, the Company must maintain a minimum cash balance of $15.0 million. The Company was in compliance with these covenants during the three and six months ended and at June 30, 2004. The committed line of credit expires on March 31, 2005.

The Company has an agreement to finance up to $400 million of mortgage loan inventory pending sale of these loans to the ultimate mortgage loan purchasers with Greenwich Capital. Of this amount, $200 million is available in committed funds. This loan inventory financing is secured by the related mortgage loans. The interest rate charged on borrowings against these funds is based on LIBOR plus various percentage points. As part of this agreement the Company had to pay a commitment fee of $1.0 million for the period March 31, 2003 through March 30, 2004. The commitment fee was reduced to $750,000 for the period March 15, 2004 through March 14, 2005. This agreement includes various financial and non-financial covenants. In particular, the Company must maintain a minimum cash and cash equivalents balance of $15 million. Prior to an amendment in March 2004, the Company was required to maintain a restriction of $2.5 million in cash as additional collateral. Subsequent to the amendment, there is no restriction on cash related to this facility. The Company was in compliance with these covenants during the three and six months ended and at June 30, 2004. The line will expire on March 14, 2005.

In addition, the Company has a mortgage loan purchase and sale agreement with Greenwich Capital. Under the terms of this agreement, mortgage loans which are allocated to a mandatory sell forward commitment between the Company and a loan purchaser, but have not yet been settled, may be sold to Greenwich Capital subject to the accompanying trade assignment. Revenue derived from sales under this agreement is included as a receivable on the balance sheet until the transaction is settled (see Note 6). The balance of loans sold related to these receivables was $305.1 million and $263.1 million as of December 31, 2003 and June 30, 2004, respectively.

The Company has a $10 million line of credit facility with Merrill Lynch Mortgage Capital, Inc. to support the interim funding of auto loans prior to their sale to the ultimate auto loan purchaser. The interest rate charged on this line is based on LIBOR plus various percentage points. This facility requires the Company to pay an unused line fee equal to 0.50% per year on the average daily unused line balance. This facility expires on July 13, 2005. This line includes various financial and non-financial covenants. The Company was in compliance with the various covenants during the three and six months ended and at June 30, 2004.

The Company has an uncommitted warehouse line of credit agreement for borrowings of up to $150 million for the interim financing of mortgage loans with Merrill Lynch Mortgage Capital, Inc. This warehouse line is scheduled to decrease to $100 million on August 18, 2004. The interest rate charged on borrowings against these funds is variable based on LIBOR plus various percentage points. Borrowings are collateralized by the related mortgage loans held-for-sale. The uncommitted warehouse line of credit expires on February 4, 2005. This line of credit agreement generally requires the Company to comply with various financial and non-financial covenants. In particular, the Company must maintain a minimum unrestricted cash balance of $12.5 million. Failure to comply with these, or any other covenants, could result in the obligation to repay all amounts then outstanding. The Company was in compliance with these covenants during the period ended and at June 30, 2004.

The following summarizes warehouse and other lines payable at December 31, 2003 and June 30, 2004 (dollars in thousands):

	December 31, 2003	June 30, 2004
Warehouse lines - GMAC	$ 8,066	$ 5,639
Warehouse lines - Greenwich	31,462	8,203
Warehouse lines - Merrill (Mortgage)	--	3,279
Line of credit - Merrill (Auto)	4,755	5,299
	$ 44,283	$ 22,420

10. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

The following summarizes accounts payable, accrued expenses and other current liabilities at December 31, 2003 and June 30, 2004 (dollars in thousands):

	December 31, 2003	June 30, 2004
Accounts payable	$ 4,614	$ 7,546
Accrued compensation	1,987	2,619
Income tax payable	(614)	(622)
Other current liabilities	1,646	2,207
Reserves	2,386	2,307
Interest payable	347	226
	$ 10,366	$ 14,283

Included in other current liabilities is an amount related to the fair value of SFAS 133 derivatives of $0.9 and $1.2 million at December 31, 2003 and June 30, 2004, respectively.

Included in the accounts payable, accrued expenses and other current liabilities is an amount related to reserves the Company established for representation and warranties and premium repayment liability. The Company sells loans to loan purchasers on a servicing released basis subject to certain representations and warranties from the Company to the purchaser. As such, the risk of loss or default by the borrower has generally been assumed by these purchasers. However, the Company is generally required by these purchasers to make certain representations relating to borrower creditworthiness, loan documentation and collateral. To the extent that the Company does not comply with such representations, or there are early payment defaults, the Company may be required to repurchase loans or indemnify these purchasers for any losses from borrower defaults. In connection with a majority of its loan sale agreements, the Company is also responsible for ensuring that the borrower makes a minimum number of payments to be made on each loan, or else the Company may be required to refund the premium paid to it by the loan purchaser. As such, the Company records reserves based on certain assumptions in anticipation of future losses as a result of current sales activity.

Loss reserves due to violations of representations and warranties are recorded based on a percentage of current month sales. The Company currently calculates this loss rate exposure based on its historical loss rates as well as similar lending portfolios. Once the Company has endured a complete economic cycle, the rate will be adjusted based on actual losses as a percentage of origination volume on a historical basis. Premium repayment reserves, generated through early loan prepayments related to loans sold to loan purchasers, are recorded based on a rate determined by calculating actual prepayments as a percentage of sales on a historical basis applied to current month sales. The following illustrates the changes in the reserve balance for the three months ended June 30, 2004 by product (in thousands):

	Mortgage	Home Equity	Auto	Total
Balance at 1/1/04	$ 1,309	$ 966	$ 111	$ 2,386
Increase to reserve	162	325	18	505
Losses incurred	(316)	(355)	(20)	(691)
Balance at 03/31/04	$ 1,155	$ 936	$ 109	$ 2,200
Increase to reserve	215	311	--	526
Losses incurred	(286)	(145)	12	(419)
Balance at 06/30/04	$ 1,084	$ 1,102	$ 121	$ 2,307

11. REVENUES AND OTHER INCOME, NET

The following table provides the components of revenues (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Revenues:				
Mortgage	$ 31,505	$ 16,006	$ 55,356	$ 30,541
Interest income on mortgage loans	5,152	4,462	10,016	7,399
Home equity	5,334	8,328	9,273	17,578
Interest income on home equity loans	683	1,654	1,106	3,128
Auto	3,035	2,921	5,921	5,983
Closing services	--	985	--	1,435
Other	393	295	648	611
Total revenues	$ 46,102	$ 34,651	$ 82,320	$ 66,675

The following table provides the components of other income, net (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Interest income on short-term investments	$ 70	$ 22	$ 102	$ 45
Interest expense on non-warehouse facility borrowings	(7)	(7)	(7)	(15)
Other	5	(5)	5	(5)
	$ 68	$ 10	$ 100	$ 25

12. OPERATING EXPENSES

The following table provides the components of operating expenses (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Compensation and benefits	$ 16,336	$ 13,248	$ 29,015	$ 27,338
Processing costs	3,091	3,235	5,890	6,008
Advertising and marketing	10,172	11,334	17,436	21,270
Occupancy and administration	4,252	3,943	7,760	8,004
Interest expense on warehouse borrowings	3,205	2,631	6,058	4,930
Total operating expenses	$ 37,056	$ 34,391	$ 66,159	$ 67,550

Commissions and bonus compensation comprised 31% and 25% of total compensation and benefits in the three months ended June 30, 2003 and 2004. Net occupancy costs comprised 25% and 24% of total occupancy and administration in the three months ended June 30, 2003 and 2004, respectively. Commissions and bonus compensation comprised 28% and 22% of total compensation and benefits in the six months ended June 30, 2003 and 2004. Net occupancy costs comprised 29% and 22% of total occupancy and administration in the six months ended June 30, 2003 and 2004, respectively. Included in compensation and benefits for the six months ended June 30, 2004 is a charge related to the resignation of the Company's prior President and Chief Operating Officer of approximately $1.0 million.

The following table provides detail of the operations component of total operating expenses classified by the following revenue-related categories (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Mortgage	$ 10,250	$ 6,877	$ 18,437	$ 13,525
Interest expense on mortgage loans	2,506	1,847	4,904	3,252
Home equity	3,254	5,247	6,336	10,317
Interest expense on home equity loans	531	763	819	1,630
Auto	3,702	1,836	6,486	3,669
Closing services	--	865	--	1,371
Total operations	$ 20,243	$ 17,435	$ 36,982	$ 33,764

13. COMMITMENTS AND CONTINGENCIES

Loan commitments and hedging activities

The Company originates mortgage loans and sells them primarily through whole loan sales. The market values of mortgage loans are sensitive to changes in market interest rates and product demand. If interest rates rise between the time the Company enters into a rate lock with the borrower, the subsequent funding of the loan and the time the mortgage loans are committed for sale, there may be a decline in the market value of the mortgage loans. To protect against such possible declines, the Company has adopted an appropriate economic hedging strategy.

Individual mortgage loan risks are aggregated by loan type and pipeline production status and matched, based on estimated duration, with the appropriate hedging instrument, thus mitigating interest rate risk until closing and delivery. The Company currently hedges its mortgage pipeline through mandatory forward sales of Fannie Mae and Freddie Mac mortgage-backed securities and both mandatory and best efforts forward sale agreements with the ultimate loan purchaser. The Company determines which alternative provides the best execution in the secondary market at the time of commitment.

The Company believes that it has implemented a cost-effective economic hedging program to provide a high level of protection against subsequent changes in the market value of rate-lock commitments. However, an effective hedging strategy is complex and no hedging strategy can completely insulate the Company against such changes.

At June 30, 2004, the Company had extended locks to originate mortgage and home equity loans amounting to approximately $284.4 million (the "locked pipeline"). At June 30, 2004, the Company had entered into best efforts forward loan sale agreements amounting to approximately $63.7 million. These forward loan sale agreements do not subject the Company to mandatory delivery and there is no penalty if the Company does not deliver into the commitment. The Company is exposed to counterparty risk, however, it is the Company's policy and practice to use well-established U.S. financial institutions to mitigate that risk; the Company does not require collateral to support these commitments, and there has been no failure on the part of the counterparties to meet the terms of these agreements to date.

At June 30, 2004, the Company had entered into mandatory sell forward commitments amounting to approximately $113.7 million. The Company adjusts the amount of mandatory sell forward commitments held to offset changes in the locked pipeline and changes in the market value of unsold loans. At June 30, 2004, the Company had entered into $10.7 million of commitments with loan purchasers to deliver loans related to funded loans held-for-sale.

The Company issues auto loan approvals on its prime loan production. Approved auto loan applicants are provided a guaranteed rate for up to a 45 day period. At June 30, 2004, the Company had entered into amortizing swap contracts in the amount of $22.6 million, as an economic hedge of anticipated funded loans from auto loan approvals.

Future Commitments

The Company has future payment commitments for operating leases and non-cancelable TV media aggregating $6.0 million, $2.7 million, $2.7 million and $2.7 million for the years 2004, 2005, 2006 and 2007, respectively. The Company has total commitments of $6.6 million for the years 2008 and beyond.

The Company has an available line of credit in the amount $2,350,000. The Company is required to provide restricted cash as collateral for this line of credit (see Note 3). Currently, the line of credit is being utilized to support letters of credit related to the new Pleasanton, California facility as well as a letter of credit related to the Company's surety bonds.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the Financial Statements and the related Notes thereto included elsewhere in this Form 10-Q. This discussion contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below, as well as those discussed below under "Factors Affecting Future Operating Results." The Company disclaims any obligation to update information contained in any forward-looking statement. See "Forward-Looking Statements."

OVERVIEW

The Company is an online consumer direct lender, specializing in mortgage, home equity and auto loans. As a retail lender, the Company is heavily impacted by economic conditions (such as interest rates) and seasonal/cyclical factors. To help mitigate this, the Company has focused on its diversified revenue products, which consist of total revenues excluding prime refinance mortgage and its related interest income. Additionally, the Company strives to be a low-cost provider with a vision of driving overall prices lower, which creates marketing efficiency. The result is a virtuous cycle connecting efficiencies in capital markets, operations and customer acquisition.

RESULTS OF OPERATIONS

The following table sets forth the unaudited results of operations from the Company's statements of operations as a percentage of total revenues for the periods indicated:

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2004	Six Months Ended June 30, 2003	Six Months Ended June 30, 2004
Revenues	$ 46,102	$ 34,651	$ 82,320	$ 66,675
Operating expenses:				
Operations	20,243	17,435	36,982	33,764
Sales and marketing	11,433	12,506	19,925	23,638
Technology	2,479	2,091	4,354	4,257
General and administrative	2,901	2,359	4,898	5,891
Total operating expenses	37,056	34,391	66,159	67,550
Income (loss) from operations	9,046	260	16,161	(875)
Other income, net	68	10	100	25
Income (loss) before taxes	9,114	270	16,261	(850)
Income taxes	(1,038)	--	(1,853)	--
Net income (loss)	$ 8,076	$ 270	$ 14,408	$ (850)
Net income (loss) per share:				
Basic	$ 0.13	$ 0.00	$ 0.24	$ (0.01)
Diluted	$ 0.12	$ 0.00	$ 0.22	$ (0.01)
AS A PERCENTAGE OF REVENUES:				
Revenues	100 %	100 %	100 %	100 %
Operating expenses:				
Operations	44 %	50 %	45 %	51 %
Sales and marketing	25 %	36 %	24 %	35 %
Technology	5 %	6 %	5 %	6 %
General and administrative	6 %	7 %	6 %	9 %
Total operating expenses	80 %	99 %	80 %	101 %
Income (loss) from operations	20 %	1 %	20 %	(1)%
Other income, net	-- %	-- %	-- %	-- %
Income (loss) before taxes	20 %	1 %	20 %	(1)%
Income taxes	(2)%	-- %	(2)%	-- %
Net income (loss)	18 %	1 %	18 %	(1)%

Revenues

The Company is a consumer direct lender whose revenues are derived primarily from the gain on sale of mortgage, home equity and auto loans that it underwrites, funds and sells. The Company also earns interest income on mortgage and home equity loans during the brief time they are held pending sale.

The following table provides the components of revenue shown as a percentage of total revenues:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Revenues:				
Mortgage	$ 31,505	$ 16,006	$ 55,356	$ 30,541
Interest income on mortgage loans	5,152	4,462	10,016	7,399
Home equity	5,334	8,328	9,273	17,578
Interest income on home equity loans	683	1,654	1,106	3,128
Auto	3,035	2,921	5,921	5,983
Closing services	--	985	--	1,435
Other	393	295	648	611
Total revenues	$ 46,102	$ 34,651	$ 82,320	$ 66,675
Mortgage	68 %	46 %	67 %	46 %
Interest income on mortgage loans	11 %	13 %	12 %	11 %
Home equity	12 %	24 %	11 %	26 %
Interest income on home equity loans	1 %	5 %	1 %	5 %
Auto	7 %	8 %	7 %	9 %
Closing services	-- %	3 %	-- %	2 %
Other	1 %	1 %	2 %	1 %
Total revenues	100 %	100 %	100 %	100 %

The following table summarizes dollar volume of loans sold and the revenue (excluding interest income) in both dollars and average basis points ("BPS") (dollars in thousands except BPS):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Mortgage				
$ Volume	$ 1,214,742	$ 899,073	$ 2,324,750	$ 1,656,179
Revenue	$ 31,505	$ 16,006	$ 55,356	$ 30,541
BPS	259	178	238	184
Home Equity				
$ Volume	$ 192,169	$ 331,673	$ 359,958	$ 633,923
Revenue	$ 5,334	$ 8,328	$ 9,273	$ 17,578
BPS	278	251	258	277
Auto				
$ Volume	$ 164,729	$ 161,936	$ 332,835	$ 315,825
Revenue	$ 3,035	$ 2,921	$ 5,921	$ 5,983
BPS	184	180	178	189

Mortgage Revenues. The Company's mortgage revenues are derived from the origination and sale of loans. Mortgage loans are funded through the Company's warehouse lines of credit and sold to mortgage loan purchasers typically within thirty days. Mortgage loan revenues consist of proceeds in excess of the carrying value of the loan, origination fees less certain direct origination costs and other processing costs. These revenues are recognized at the time the loan is sold. Mortgage revenues consist of refinance mortgage revenues and diversified mortgage revenues – which are comprised of purchase and non-prime mortgage loans. Mortgage revenues decreased $15.5 million to

$16.0 million for the three months ended June 30, 2004 from $31.5 million for the three months ended June 30, 2003. Mortgage revenues decreased $24.8 million to $30.5 million for the six months ended June 30, 2004 from $55.4 million for the six months ended June 30, 2003. Mortgage revenues benefited significantly from refinance revenues during the three and six months ended June 30, 2003. Refinance revenue experienced large declines in the three and six months ended June 30, 2004, compared to the same period the prior year as the overall mortgage market shifted away from refinance loans, and increased competitive pricing impacted the revenue earned per loan. Diversified mortgage revenue was down slightly, both in volumes and revenue per loan, as competition increased in this area with the large decline in refinance volume. The Company expects refinance activity to continue to decline in the remainder of 2004 and that while growth in diversified mortgage revenue is expected, we do not anticipate that it will completely offset the declining refinance volume, resulting in lower mortgage revenue amounts in 2004 as compared to 2003.

The following table summarizes the composition of the mortgage dollar volume of loans sold and the revenue (excluding interest income) in both dollars and average basis points ("BPS") (dollars in thousands except BPS):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Refinance Mortgage				
$ Volume	$ 778,835	$ 496,332	$ 1,534,324	$ 906,234
Revenue	$ 21,410	$ 7,888	$ 39,348	$ 15,744
BPS	275	159	256	174
Diversified Mortgage				
$ Volume	$ 435,907	$ 402,741	$ 790,426	$ 749,946
Revenue	$ 10,095	$ 8,118	$ 16,008	$ 14,797
BPS	232	202	203	197

The following table reflects the percentages of the Company's mortgage closed loan volume from purchase and refinance loans as compared to the total market (according to Mortgage Bankers Association of America) through the first quarter of 2004. The Mortgage Bankers Association of America data for the second quarter of 2004 below represents its estimate as of July 14, 2004:

	Q1 03	Q2 03	Q3 03	Q4 03	Q1 04	Q2 04
E-LOAN Mortgage*						
Purchase	25%	32%	45%	45%	37%	37%
Refinance	75%	68%	55%	55%	63%	63%
Total Market*						
Purchase	29%	32%	32%	51%	47%	51%
Refinance	71%	68%	68%	49%	53%	49%

* Excludes home equity and auto loan volume

Interest Income on Mortgage and Home Equity Loans. The Company generates revenues from interest income on mortgage and home equity loans. The revenues realized are based on the loan amount multiplied by the contractual interest rate from the time of funding by the Company through time of sale. These revenues are recognized as earned during the period from funding to sale. Interest income is highly correlated to the volume of loans funded. As such, interest income on mortgage decreased $0.7 million to $4.5 million for the three months ended June 30, 2004 from $5.2 million for the three months ended June 30, 2003 and interest income on home equity loans increased $1.0 million to $1.7 million for the three months ended June 30, 2004 from $0.7 million for the three months ended June 30, 2003.

Interest income on mortgage decreased $2.6 million to $7.4 million for the six months ended June 30, 2004 from $10.0 million for the six months ended June 30, 2003 and interest income on home equity loans increased $2.0 million to $3.1 million for the six months ended June 30, 2004 from $1.1 million for the six months ended June 30, 2003. The Company anticipates that with relatively lower mortgage fundings in the remainder of 2004, interest income on mortgages will be slightly lower. Home equity fundings are expected to increase in the remainder of 2004, as will interest income on home equity loans and lines of credit.

Home Equity Revenues. Home equity revenues are derived from the origination and sale of loans. Home equity loans are funded through the Company's warehouse lines of credit and sold to home equity loan purchasers in approximately forty days from funding. Home equity loan revenues consist of proceeds recorded at settlement in excess of the carrying value of the loan, origination fees less certain direct origination costs and other processing costs. These revenues are recognized at the time the loan is sold. Home equity revenues increased $3.0 million to $8.3 million for the three months ended June 30, 2004 from $5.3 million for the three months ended June 30, 2003. Home equity revenues increased $8.3 million to $17.6 million for the six months ended June 30, 2004 from $9.3 million for the six months ended June 30, 2003. The significant increase in home equity revenue is due to increased volume of sold loans as well as increased revenue per loan, in the six months ended June 30, 2004 compared to 2003. The Company expects that home equity revenues will continue to grow throughout 2004 as volumes continue to increase.

Auto Revenues. The Company funds prime auto loans using a line of credit and then sells them to a qualified special purpose entity (QSPE), which was created in July 2002. Revenues from these sales consist of the estimated future discounted cash flows net of interest, servicing fees and credit losses. Revenues on prime auto loan sales are recognized when the loan is sold to the QSPE. In addition, in exchange for the loans sold, the Company records a retained interest. A discount rate has been applied to the asset to account for the present value of the cash flows to be received over the life of the loans. The retained interest is an interest-earning asset. The difference between the estimated discounted cash flows and the actual cash flows received over time are accreted and included as auto revenue.

Prior to the third quarter of 2003, sub-prime auto loans were sold to sub-prime auto loan purchasers. The revenue on these loans consisted of the mark-up to the lending partner's loan price or a set origination fee. These revenues were recognized at the time the loan was sold. In the third quarter of 2003, the Company stopped processing and funding sub-prime auto loans and shifted this portion of the business to a referral based system. Presently loan applications that do not meet the prime auto lending criteria are referred out to other sub-prime lenders in exchange for a fee. This fee is recognized as revenue at the time of transfer to the sub-prime lender and paid to the Company monthly for the previous month’s referrals. As expected, this transition resulted in a reduction in overall auto loan volume in the three and six months ended June 30, 2004 compared to the three and six months ended June 30, 2003.

Auto revenues were flat at $3.0 and $2.9 million for the three months ended June 30, 2003 and 2004, respectively, and increased $0.1 million to $6.0 million for the six months ended June 30, 2004 from $5.9 million for the six months ended June 30, 2003. The slight increase is related to referral revenue and interest income on the interest-earning asset. Auto revenues for the three and six months ended June 30, 2004 include a valuation adjustment which reduced the residual interest asset in the amount of $45,000 and $95,000, respectively, related to increases in prepayment speeds and loss rates.

The Company anticipates modest growth in both auto volume and revenue in 2004 as compared to 2003.

Closing Services Revenues. In the fourth quarter of 2003, the Company formed Escrow Closing Services, Inc, a wholly-owned subsidiary, which provides mortgage closing services, including HUD1 and document preparation and signing, disbursement and recording services for a portion of our home equity business. For the three and six months ended June 30, 2004, closing services revenues were $1.0 million and $1.4 million, respectively. The Company expects that closing services revenue will continue to grow throughout 2004 as volume increases.

Operating Expenses

Total Operating Expenses. Total operating expenses include operational costs associated with the origination of mortgage, home equity and auto loans, including interest expense on warehouse lines, as well as costs associated with marketing, technology and administrative.

The following table provides detail of the Company's total operating expenses classified by major types of expense, expressed as a percentage of total operating expenses:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Compensation & Benefits	44%	39%	44%	40%
Processing Costs	8%	9%	9%	9%
Advertising & Marketing	27%	33%	26%	32%
Occupancy & Administrative	12%	11%	12%	12%
Interest Expense on Warehouse	9%	8%	9%	7%

As almost half of the total operating expenses of the Company are compensation and benefit related, the following table shows full-time headcount (including temporary and contract employees) by function at the end of each respective quarter:

	June 30,	
	2003	2004
Mortgage	423	286
Home Equity	178	288
Auto	114	82
Closing Services	1	20
Sales & Marketing	31	29
Technology	64	59
General & Administrative	56	74
Total	867	838

Operations. Operations expense is comprised of both fixed and variable expenses, including employee compensation and expenses associated with the production and sale of loans and interest expense paid by the Company under the warehouse and line of credit facilities it uses to fund mortgage, home equity and auto loans held-for-sale.

The following table provides detail of the Company's operations expenses classified by the following revenue-related categories (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Mortgage	$ 10,250	$ 6,877	$ 18,437	$ 13,525
Interest expense on mortgage loans	2,506	1,847	4,904	3,252
Home equity	3,254	5,247	6,336	10,317
Interest expense on home equity loans	531	763	819	1,630
Auto	3,702	1,836	6,486	3,669
Closing services	--	865	--	1,371
Total operations	$ 20,243	$ 17,435	$ 36,982	$ 33,764

Operations expense decreased $2.8 million to $17.4 million for the three months ended June 30, 2004 from $20.2 million for the three months ended June 30, 2003. However, operations expense increased as a percentage of revenue from 44% to 50% for the three months ended June 31, 2003 and 2004, respectively. The decrease in absolute dollars is due to decreases in mortgage operations (and its related interest expense) as a result of lower volumes, and a decline in auto operations, which included one-time costs in 2003 related to the transition of operations from Florida to California. These decreases were offset by an increase in home equity due to higher volumes. Operations expense decreased $3.2 million to $33.8 million for the six months ended June 30, 2004 from $37.0 million for the six months ended June 30, 2003. However, operations expense increased as a percentage of revenue from 45% to 51% for the six months ended June 31, 2003 and 2004, respectively.

The following table provides detail of the Company's total mortgage operations expenses (excluding interest expense) classified by major types of expense, expressed as a percentage of total mortgage operations expenses (excluding interest expense):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Mortgage Operations				
Headcount & Related	45%	46%	45%	47%
Commissions	25%	21%	25%	20%
Processing Costs	20%	19%	20%	19%
Facilities & Other	10%	14%	10%	14%

The following table provides detail of the Company's total home equity operations expenses (excluding interest expense) classified by major types of expense, expressed as a percentage of total home equity operations expenses (excluding interest expense):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Home Equity Operations				
Headcount & Related	59%	58%	62%	58%
Commissions	12%	12%	10%	11%
Processing Costs	18%	19%	18%	20%
Facilities & Other	11%	11%	10%	11%

The following table provides detail of the Company's total auto operations expenses (excluding interest expense) classified by major types of expense, expressed as a percentage of total auto operations expenses (excluding interest expense):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Auto Operations				
Headcount & Related	65%	64%	62%	66%
Commissions	1%	--	--	--
Processing Costs	9%	16%	12%	15%
Facilities & Other	25%	20%	26%	19%

Direct Margin. Direct margin is defined as revenue minus operations expense, which includes variable and fixed expenses.

The following table provides detail of the Company's direct margin classified by the following revenue-related categories (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Mortgage	$ 21,255	$ 9,129	$ 36,919	$ 17,016
Mortgage interest margin	2,646	2,615	5,112	4,147
Home equity	2,080	3,081	2,937	7,261
Home equity interest margin	152	891	287	1,498
Auto	(667)	1,085	(565)	2,314
Closing services	--	120	--	64
Other	393	295	648	611
Total direct margin	$ 25,859	$ 17,216	$ 45,338	$ 32,911

Direct margin decreased $8.6 million to $17.2 million for the three months ended June 30, 2004 from $25.8 million for the three months ended June 30, 2003. Direct margin decreased $12.4 million to $32.9 million for the six months ended June 30, 2004 from $45.3 million for the six months ended June 30, 2003. The decline in direct margin is primarily due to decreased mortgage revenue per loan and decreased mortgage volumes. This decrease was offset by increased home equity volumes and revenues as well as a positive spread of home equity interest income over interest expense. The Company anticipates that mortgage revenue per loan and the spread of interest income over interest expense will continue to decline in 2004 as compared to 2003, as the overall level of refinance activity declines and competitive pricing pressure increases. Auto direct margins increased significantly for the three and six months ended June 30, 2004 compared to the three and six months ended June 30, 2003 primarily due to the transition of auto operations from Florida to California which began during the three months ended March 31, 2003 driving auto direct margins down in that period. The Company expects auto direct margin to grow modestly throughout 2004.

Sales and Marketing. Sales and marketing expense is primarily comprised of expenses related to advertising, promotion and marketing agreements and employee compensation and other expenses related to marketing personnel. Sales and marketing expense increased $1.1 million to $12.5 million for the three months ended June 30, 2004 from $11.4 million for the three months ended June 30, 2003. Sales and marketing expense increased $3.7 million to $23.6 million for the six months ended June 30, 2004 from $19.9 million for the six months ended June 30, 2003. Sales and marketing expense increased as a direct result of increased spending in direct response television, direct response mail and online advertising. Sales and marketing expense increased as a percentage of revenue from 25% to 36% for the three months ended June 30, 2003 and 2004, respectively. Sales and marketing expense increased as a percentage of revenue from 24% to 35% for the six months ended June 30, 2003 and 2004, respectively. The increase in sales and marketing expense as a percentage of revenues was due to a combination of increased spending levels and the decreased volumes in revenue in the three and six months ended June 30, 2004 compared to the three and six months ended June 30, 2003. Sales and marketing expenses are expected to decrease as a percentage of total revenues and remain constant in absolute dollars throughout the remainder of 2004.

The following table provides detail of the Company's total sales and marketing expenses classified by major types of expense, expressed as a percentage of total sales and marketing expenses:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Direct Response TV	53%	46%	50%	50%
Direct Response Mail	12%	18%	12%	17%
Online Advertising	17%	25%	20%	22%
Other Advertising	7%	2%	5%	1%
Headcount & Administrative	11%	9%	13%	10%

Technology. Technology expense includes employee compensation, the introduction of new technologies and the support of E-LOAN's existing technological infrastructure. Technology expense decreased $0.4 million to $2.1 million for the three months ended June 30, 2004 from $2.5 million for the three months ended June 30, 2003. Technology expense decreased $0.1 million to $4.3 million for the six months ended June 30, 2004 from $4.4 million for the six months ended June 30, 2003. Technology expense increased as a percentage of revenue from 5% to 6% for the three and six months ended June 30, 2003 and 2004, respectively. The increase in technology expense as a percentage of revenues was primarily due to the decreased volumes in revenue in the three and six months ended June 30, 2004 compared to the three and six months ended June 30, 2003. The Company expects technology expense to be approximately 7% of total revenues throughout the remainder of 2004.

General and Administrative. General and administrative expense is primarily comprised of employee compensation and professional services. General and administrative expense decreased $0.5 million to $2.4 million for the three months ended June 30, 2004 from $2.9 million for the three months ended June 30, 2003. General and administrative expense increased $1.0 million to $5.9 million for the six months ended June 30, 2004 from $4.9 million for the six months ended June 30, 2003. Included in general administrative expenses for the six months ended June 30, 2004 was a charge of approximately $1.0 million as a result of the resignation of the Company's prior President and Chief Operating Officer. General and administrative expense increased as a percentage of revenue from 6% to 7% for the three months ended June 30, 2003 and 2004, respectively. Excluding the one-time charge, general and administrative expenses were constant at 6% of revenue for the six months ended June 30, 2003 and 2004, respectively. The Company expects general and administrative expense to be approximately 8% of total revenues throughout the remainder of 2004.

Other Income, net. Other income, net, is related to interest earned on cash equivalents offset by expense incurred on non-warehouse facility borrowings. Other income, net remained consistent at less than $0.1 million for the three and six months ended June 30, 2004 and 2003, respectively.

CRITICAL ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the U.S., which require the Company to make estimates and assumptions. The Company believes that of its significant accounting policies, the following may involve a higher degree of judgment and complexity.

Revenue Recognition. The Company's mortgage and home equity revenues are derived from the origination and sale of loans. Mortgage and home equity loans are funded through the Company's warehouse lines of credit and sold to loan purchasers typically within thirty days. Mortgage and home equity loan revenues consist of proceeds in excess of the carrying value of the loan, origination fees less certain direct origination costs and other processing costs. These revenues are recognized at the time the loan is sold. In addition, the Company generates revenues from interest income on mortgage and home equity loans. The revenues realized are based on the loan amount multiplied by the contractual interest rate from the time of funding by the Company through time of sale. These revenues are recognized as earned during the period from funding to sale. Also included in mortgage and home equity loan revenues are amounts recorded in connection with loans sold under a Sale Agreement with Greenwich Capital (see "Off-Balance Sheet Arrangements"). The Company sells all loans to loan purchasers on a servicing released basis without recourse, subject to certain representations and warranties. Additionally, the Company is responsible for a minimum number of payments to be made on these loans. As such, the Company records reserves as a contra-revenue at the time a loan is sold, based on certain assumptions in anticipation of future losses as a result of current activity.

The Company funds prime auto loans using a line of credit and then sells them to a qualified special purpose entity (QSPE), which was created in July 2002 (see "Off-Balance Sheet Arrangements"). Revenues from these sales consist of the estimated future discounted cash flows net of interest, servicing fees and credit losses recorded in the form of the residual interest. Revenues on prime auto loan sales are recognized when the loan is sold to the QSPE. In addition, in exchange for the loans sold, the Company receives cash and a retained interest. A market discount rate has been applied to the asset to account for the present value of the cash flows to be received over the life of the loans. As a result, the retained interest asset is an interest-earning asset, and the difference between the estimated discounted cash flows and the actual cash flows received over time are accreted and included as auto revenue. Effective in the fourth quarter of 2003, the Company adopted Financial Interpretation No. 46, "Consolidation of Variable Interest Entities", ("FIN 46"). FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The Company had variable interests in its qualified special purposes entity ("QSPE"), which are exempt from the provisions of FIN 46. The Company reports the rights and obligations related to the QSPE according to the requirements of Statement of Financial Accounting Standards No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.

Prior to the third quarter of 2003, sub-prime auto loans were sold to sub-prime auto loan purchasers. The revenue on these loans consisted of the mark-up to the lending partner's loan price or a set origination fee. These revenues were recognized at the time the loan was sold. In the third quarter of 2003, the Company stopped processing and funding sub-prime auto loans and shifted this portion of the business to a referral based system. Loan applications that do not meet the prime auto lending criteria are referred out to other sub-prime lenders in exchange for a fee. This fee is recognized as revenue at the time of transfer to the sub-prime lender.

Valuation of derivative instruments. On January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative and Hedging Activities" ("SFAS 133"), as subsequently amended by Statement of Financial Accounting No. 138 and No. 149. In accounting for its derivative financial instruments, SFAS 133 requires an entity to recognize all derivative assets or liabilities in the statement of financial condition and measure those instruments at fair value. The accounting for changes in fair value of the derivative depends on the intended use of the derivative and the resulting designation. An entity that elects to apply hedge accounting is required to establish at the inception of the hedge the method it will use in assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffectiveness of the hedge. These methods must be consistent with the entity's approach to managing risk. The Company is a party to mortgage rate lock commitments to fund mortgage loans at interest rates previously agreed (locked) by both the Company and the borrower for specified periods of time. When the borrower locks their interest rate, the Company effectively extends a put option to the borrower, whereby the borrower is not obligated to enter into the loan agreement, but the Company must honor the interest rate for the specified time period. Under SFAS 133 mortgage interest rate locks are derivatives. The Company is exposed to interest rate risk during the accumulation of interest rate lock commitments and loans prior to sale. The Company utilizes either a best efforts sell forward commitment or a mandatory sell forward commitment to economically hedge the changes in fair value of the loan due to changes in market interest rates. Both best efforts and mandatory sell forward sale commitments are derivatives under SFAS 133. Throughout the lock period the changes in the market value of interest rate lock commitments, best efforts and mandatory forward sale commitments are recorded as unrealized gains and losses and are included in the statement of operations in mortgage revenue.

The Company's management has made complex judgments in their application of SFAS 133. The judgments include the identification of hedging instruments, hedged items, nature of the risk being hedged, and how the hedging instrument's effectiveness will be assessed. The Company designates forward delivery commitments, where the company intends to deliver the underlying loan into the commitment, as a fair value SFAS 133 hedge at the commitment date. In addition, the Company designates all best efforts sell forward commitments as fair value SFAS 133 hedges for underlying loans at funding date. The Company does not designate mandatory sell forward agreements as SFAS 133 hedges but does utilize them to economically hedge the changes in fair value of rate lock commitments with borrowers for which a best efforts sell forward commitment has not been obtained. The Company did not have a material gain or loss representing the amount of hedge ineffectiveness related to designated SFAS 133 hedges during the three and six months ended June 30, 2003 and 2004.

In September 2003, the Company began hedging its interest rate risk on auto loan approvals. When the Company issues an auto loan approval, the Company extends a put option to the borrower, whereby the borrower is not obligated to enter into the loan agreement, but the Company must honor the interest rate for up to a 45-day period. Under SFAS 133, auto loan approvals are not considered derivatives. However, the company is still exposed to interest rate risk from issuance of approval to loan sale. The Company enters into amortizing swap contracts to economically hedge the interest rate changes in auto loan approvals. These swap contracts are considered derivatives under SFAS 133. The Company marks-to-market any changes in the value of outstanding swap contracts, which are recorded as unrealized gains and losses and included in the statement of operations in auto revenue.

Capitalized software. In 1999, the Company adopted SOP 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, which requires that the Company expense computer software costs as they are incurred in the preliminary project stage. Once the capitalization criteria of the SOP have been met, external direct costs of materials and services consumed in developing or obtaining internal-use computer software and payroll and payroll related costs for employees who are directly associated with and who devote time to the internal-use computer software are capitalized. Capitalized costs are generally amortized over one to three years on a straight-line basis.

Reserves for loan sales. The Company sells loans to loan purchasers on a servicing released basis subject to certain representations and warranties from the Company to the purchaser. As such, the risk of loss or default by the borrower has generally been assumed by these purchasers. However, the Company is generally required by these purchasers to make certain representations relating to borrower creditworthiness, loan documentation and collateral. To the extent that the Company does not comply with such representations, or there are early payment defaults, the Company may be required to repurchase loans or indemnify these purchasers for any losses from borrower defaults. In connection with a majority of its loan sales agreements, the Company is also responsible for a minimum number of payments to be made on each loan, or else the Company may be required to refund the premium paid to it by the loan purchaser. As such, the Company records reserves based on certain assumptions in anticipation of future losses as a result of current sales activity.

Loan loss reserves due to potential violations of representations and warranties are recorded based on a percentage of current month sales. The Company currently calculates this loss rate exposure based on its historical loss rates as well as similar lending portfolios. Once the Company has endured a complete economic cycle, the rate will be adjusted based on actual losses as a percentage of sales volume on a historical basis. Premium repayment reserves, generated through early loan prepayments related to loans sold to loan purchasers, are recorded based on a rate determined by calculating actual prepayments as a percentage of sales on a historical basis applied to current month sales.

Stock-Based Compensation. The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees* and related interpretations, and complies with the disclosure requirements of SFAS No. 123, *Accounting for Stock-Based Compensation,* as amended by SFAS No. 148, *Accounting For Stock-Based Compensation -- Transition And Disclosure -- An Amendment Of SFAS No. 123*. Under APB No. 25, compensation expense is based on the excess of the estimated fair value of the Company's stock over the exercise price, if any, on the date of grant. The Company accounts for stock issued to non-employees in accordance with the provisions of

SFAS No. 123 and the Emerging Issues Task Force Consensus in Issue No. 96-18, *Accounting for Equity Instruments That Are Issued to Non-Employees for Acquiring, or in Conjunction with Selling, Goods or Services*.

Deferred Tax Asset. The Company accounts for income taxes using the liability method in accordance with SFAS No. 109*, Accounting for Income Taxes*. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. Management evaluates the recoverability of the deferred tax assets and the level of the valuation allowance. At such time as it is determined that it is more likely than not that the deferred tax asset will be realizable, the valuation allowance will be reduced. The Company's deferred tax asset arises principally from net operating loss carryforward (NOLs). There are significant judgments and estimates involved in projecting the recoverability of the deferred tax asset, particularly with respect to the existence of future taxable income sufficient to realize NOLs. The Company reported its first profitable year in 2002 and was again profitable in 2003. However, the sustained low interest rate environment created favorable operating conditions for the Company. During the fourth quarter of 2003 and the first six months of 2004, the Company reported a loss from operations, largely as a result in declines in mortgage refinance volume. Management will continue to monitor projections of future taxable income and when it believes realization of the tax benefits associated with the NOLs is more likely than not, management will reduce the valuation allowance by recording a benefit through the income tax provision recorded in the statement of operations. Based upon the Company's performance throughout the remainder of the year it is possible that management would reduce the valuation allowance during 2004; however, management can provide no assurances as to the amount of such reduction, the period in which it might occur or if it will occur at all.

OFF-BALANCE SHEET ARRANGEMENTS

Retained interest in auto loans. On June 17, 2002, the Company entered into an arrangement to sell auto loan receivables to a qualified special purpose entity (QSPE), E-LOAN Auto Fund One, LLC ("E-LOAN Auto"), for the purpose of being able to recognize the gain on sale from these loans. These transactions involve the Company surrendering control over these assets to assure that the sold assets have been isolated from the Company and its creditors. As E-LOAN Auto has met the appropriate tests to be considered a QSPE the assets and liabilities of E-LOAN Auto are appropriately not consolidated in financial statements of the Company. In the event that the entity no longer qualifies as a QSPE and is required to be consolidated, the Company would no longer be in compliance with certain debt covenants related to its warehouse and other lines of credit, as currently structured. In particular, the Company's debt to tangible net worth covenants would be exceeded, however management believes that it would be able to renegotiate its existing warehouse related covenants to adequately accommodate the consolidation of this entity, if needed. E-LOAN Auto has obtained a secured borrowing facility from Merrill Lynch Bank USA to finance all purchases of loans from the Company. The Company recognizes a gain on the sale of auto loan receivables to E-LOAN Auto in the period in which the sale occurs, which represents the difference between the sale proceeds to the Company and the Company's net carrying value of the receivables. The Company retains an interest in the future cash flows from the loans. Such cash flows are distributed to the Company by the QSPE monthly. The fair value of the retained interest asset is based upon the net present value of the estimated future cash flows to be received by the Company over the life of the loans. These retained interest assets are recorded on the balance sheet at fair value as trading assets, and are adjusted to estimated fair value at each subsequent reporting period. Changes in the estimated fair value of the residual interests are recorded through the statement of operations. Estimates of future cash flows to be received by the Company reflect assumptions regarding the cumulative credit losses to be incurred on the pool of auto loan receivables sold, prepayment rates of the auto loans and the rate at which the estimated future excess cash flows are discounted. The assumptions used represent the Company's best estimates, and the use of different assumptions could produce different financial results. The Company will continue to monitor and update its assumptions over time.

Sale Agreement with Greenwich Capital. The Company has a loan purchase and sale agreement with Greenwich Capital, for the purpose of controlling the timing associated with loan sales. Under the terms of this agreement, mortgage loans which are allocated to a mandatory sell forward commitment between the Company and a loan purchaser, but have not yet been settled, may be sold to Greenwich Capital with the accompanying trade assignment. Revenues from loans sold under this arrangement are included as a receivable on the balance sheet. All loans sold under this arrangement are already committed to another loan purchaser, and as such, hold little risk of being unsaleable. Therefore, in the event that the Company was unable to utilize this arrangement, the Company would experience a one-time impact to revenues in the period this arrangement was discontinued.

LIQUIDITY AND CAPITAL RESOURCES

The Company's sources of cash include cash from the sale of mortgage, home equity and auto loans, borrowings under warehouse lines of credit and other credit facilities, brokerage fees, interest income, credit card referrals and the sale of debt and equity securities in both private and public transactions. The Company's uses of cash include the funding of mortgage, home equity and auto loans, repayment of amounts borrowed under warehouse lines of credit, operating expenses, payment of interest, and capital expenditures primarily comprised of furniture, fixtures, computer equipment, software and leasehold improvements. Because the Company's loan origination operating activities are funded principally through its warehouse and other lines payable, the Company analyzes trends in operating cash flows by combining cash flows from operating activities with cash flows from certain financing activities (specifically cash flows from warehouse and other lines payable).

Cash provided by operating and financing activities related to its warehouse and other lines payable was $14.8 million for the six months ended June 30, 2004. Specifically, the Company obtained cash from net income, excluding non-cash related items, of $2.5 million for the six months ended June 30, 2004. In addition, the Company benefited from positive cash flow due to the reduction of other assets in the amount of $7.1 million, specifically prepaid marketing expenses, and the reduction of receivables in connection with loan sales. Further, the Company benefited from positive cash flow as a result of loans held-for-sale net of warehouse payable decreasing which provided $3.7 million in net cash, and the increase of accounts payables and other accrued expenses in the amount of $3.9 million. However, these sources of cash were offset by the continued increase in the retained interest asset which grew another $2.5 million as additional auto loans were sold to the QSPE in the six months ended June 30, 2004.

Cash provided by operating and financing activities related to its warehouse and other lines payable, was $6.7 million for the six months ended June 30, 2003. Specifically, The Company utilized cash as a result of an increase in receivables and other assets of $12.6 million, which included an increase of $11.1 million related to receivables in connection with loan sales. In addition, the Company utilized cash as a result of the continued increase of the retained interest asset of $5.0 million as additional auto loans were sold to the QSPE in the six months ended June 30, 2003. These uses of cash were offset by a source of cash from net income, excluding non-cash related items, of $16.8 million for the six months ended June 30, 2003. In addition, the Company benefited from positive cash flow as a result of loans held-for-sale net of warehouse payable decreasing and providing $2.0 million in net cash.

Net cash used in investing activities was $4.7 million and $4.0 million for the six months ended June 30, 2003 and 2004, respectively. Net cash used during the six months ended June 30, 2003 was primarily due to the addition of infrastructure related to increased headcount and investment in new technology systems. In October 2003, the Company began relocating its corporate headquarters and consolidating its operational facilities to a larger, single facility in Pleasanton, California. Capital expenditures related to the new facility (net of tenant improvement allowances) were $2.1 million for the six months ended June 30, 2004. The remaining cash used on investing activities during the six months ended June 30, 2004 was related to capitalized development.

Cash provided by financing activities, net of cash used by its warehouse and other lines payable was $5.6 million and $1.3 million for the six months ended June 30, 2003 and 2004, respectively. The increase for both periods presented was due to the issuance of common stock from the exercise of stock options.

The Company has committed and uncommitted warehouse lines of credit that it uses to fund mortgage and home equity loans. A committed line is a firm commitment from the warehouse lender that funds will be available if requested through the specified termination date. The Company pays for these committed funds either in the form of pre-paid commitment fees charged as a percentage of the committed line available, or in the form of an unused line fee, which is assessed monthly based on a percentage of the unused amount during the previous month. Uncommitted funds are available to the Company at the warehouse lenders discretion, and may not be accessible by the Company if the warehouse lender denied the funding request. The Company has not experienced such a denied funding request from any of its current or previous warehouse lenders.

The Company has a warehouse line of credit for borrowings of up to $75 million for the interim financing of mortgage loans with GMAC Mortgage Corporation. The interest rate charged on borrowings against these funds is variable based on LIBOR plus various percentage points. This warehouse line requires the Company to pay GMAC a non-use fee when the average outstanding principal amount of borrowings is less than 50% of the total commitment at a rate of 0.25% per annum on the daily average unutilized commitment. Borrowings are collateralized by the related mortgage loans held-for-sale. The committed line of credit expires on March 31, 2005. Upon expiration, management believes it will either renew its existing line or obtain sufficient additional lines. This line of credit agreement generally requires the Company to comply with various financial and non-financial covenants. In particular, the Company must maintain a minimum cash balance of $15.0 million in addition to the requirement that the Company maintain at least one other committed warehouse facility of no less than $100 million. Failure to comply with these, or any other covenants, could result in the obligation to repay all amounts then outstanding. The Company was in compliance with all covenants for this agreement for the three and six months ended and at June 30, 2004.

The Company has an uncommitted warehouse line of credit for borrowings of up to $150 million for the interim financing of mortgage loans with Merrill Lynch Mortgage Capital, Inc. This warehouse line is scheduled to decrease to $100 million on August 18, 2004. The interest rate charged on borrowings against these funds is variable based on LIBOR plus various percentage points. Borrowings are collateralized by the related mortgage loans held-for-sale. The uncommitted line of credit expires on February 4, 2005. Upon expiration, management believes it will either renew its existing line or obtain sufficient additional lines. This line of credit agreement generally requires the Company to comply with various financial and non-financial covenants. In particular, the Company must maintain a minimum cash balance of $12.5 million. Failure to comply with these, or any other covenants, could result in the obligation to repay all amounts then outstanding. The Company was in compliance with all covenants for this agreement for the three and six months ended and at June 30, 2004.

The Company has an agreement to finance up to $400 million of mortgage loan inventory pending sale of these loans to the ultimate mortgage loan purchasers with Greenwich Capital. Of this amount, $200 million is available in committed funds. This loan inventory financing is secured by the related mortgage loans. The interest rate charged on borrowings against these funds is based on LIBOR plus various percentage points. As part of this agreement the Company had to pay a commitment fee of $1.0 million for the period of March 31, 2003 through March 30, 2004. The commitment fee was reduced to $750,000 for the period March 15, 2004 through March 14, 2005. The line requires the restriction of $2.5 million in cash as additional collateral, however, in March 2004, the line was amended to remove this restriction. The line expires March 14, 2005. Upon expiration, management believes it will either renew its existing line or obtain sufficient additional lines. This agreement includes various financial and non-financial covenants. In particular, the Company must maintain a minimum cash and cash equivalents balance of $15 million. Additionally, the Company is required to maintain at least one other warehouse facility of no less than $75 million in committed funds. Failure to comply with these, or any other covenants, could result in the obligation to repay all amounts then outstanding. The Company was in compliance with all covenants for this agreement for the three and six months ended and at June 30, 2004.

The Company has a $10 million line of credit facility with Merrill Lynch Mortgage Capital, Inc. to support the interim funding of auto loans prior to the sale to the ultimate auto loan purchaser. The interest rate charged on this line is based on LIBOR plus various percentage points. This facility requires the Company to pay an unused line fee equal to 0.50% per year on the average daily unused line balance. This facility expires on July 13, 2005. Upon expiration, management believes it will either renew its existing line or obtain sufficient additional lines. This agreement includes various financial and non-financial covenants. In particular, the Company must maintain a minimum cash and cash equivalents balance of $15 million (including Restricted Cash). Additionally, the Company is prohibited from obtaining or incurring any debt or contingent liability in excess of $5 million without prior consent from the lender. Failure to comply with these, or any other covenants, could result in the obligation to repay all amounts then outstanding. The Company was in compliance with all covenants for this agreement for the three and six months ended and at June 30, 2004.

The following table summarizes the key terms of our current warehouse and other lines payable:

	GMAC Mortgage $75M	Greenwich Capital $400M	Merrill Lynch $150M	Merrill Lynch $10M
Cost of Funds				
Spread over LIBOR	1.25%-2.0%	0.75%-1.25%	0.75%-1.0%	1.0%-2.0%
Covenants				
Minimum Cash	$15.0M	$15.0M	$12.5M	$15.0M (1)
Minimum Tangible Net Worth	$40.0M	$60.0M	$40.0M	$25.0M
Debt to Tangible Net Worth	10:1	10:1	12:1	--
Profitability	--	--	Net Worth > 80% prior 2 qtrs	--
Current Ratio	1.0:1.0	--	--	1.0:1.0
Additional Facility	$100.0M	$75.0M	--	--
Advance Rates	95%-100%	96%-99%	96%-99%	92%-97%

(1) All minimum cash requirements include restricted cash, however restricted cash related to the Merrill Lynch $10 million line may not exceed $5 million

On June 30, 2003, the Company obtained a $5 million line of credit from Wells Fargo Bank, National Association to support working capital needs. The interest rate charged on borrowings against these funds is based on LIBOR plus 2%, and is payable monthly. The line of credit was originally scheduled to expire on June 30, 2004. On December 11, 2003, the agreement was amended to reduce the line of credit to $2,350,000 and extend the expiration date to June 30, 2005. As part of the amendment, the Company was required to provide restricted cash as collateral for this line of credit. Currently, the line of credit is being utilized to support letters of credit related to the Pleasanton, California facility as well as a letter of credit related to the Company's surety bonds. The Company was in compliance with all covenants for this agreement for the three and six months ended and at June 30, 2004.

The adequacy of our liquidity depends on our ability to successfully generate positive cash flow from an appropriate combination of efficient operations and improvements therein, financing from third parties and access to capital markets. With $46.0 million of cash on hand at June 30, 2004 and borrowing capacity under our warehouse and other lines of credit of $635 million, we believe our liquidity (including operating and other cash flows that we expect to generate) will be sufficient to meet operating cash flow requirements as they occur for at least the next twelve months; however, our ability to maintain positive liquidity going forward depends on our ability to generate cash from operations and access to the financial markets, both of which are subject to general economic, financial, competitive, legislative, regulatory and other market factors that are beyond our control.

FORWARD LOOKING STATEMENTS

The statements contained in this Report that are not historical facts are "forward-looking statements" (as such term is defined in Section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934), which can be identified by the use of forward-looking terminology such as "estimated," "projects," "anticipated," "expects," "intends," "believes," or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. These forward-looking statements, such as the Company's plans to increase the number of purchase loans, the relative importance of loans E-LOAN originates and sells and growth in the number of applications received, statements regarding development of E-LOAN's business, future operating results, anticipated capital expenditures, the expectations as to the use of capital resources and the availability of additional financing, and other statements contained in this Report regarding matters that are not historical facts, are only estimates or predictions and cannot be relied upon. No assurance can be given that future results will be achieved; actual events or results may differ materially as a result of risks facing the company or actual results differing from the assumption underlying such statements. Such risks and assumptions include, but are not limited to, E-LOAN's ability to access additional debt or equity financing in the future, secure replacement lines of credit for mortgage and auto loans, respond to increasing competition, secure additional loan purchasers, manage growth of E-LOAN's operations, as well as regulatory, legislative, and judicial developments that could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements. All written and oral forward-looking statements made in connection with this Report which are attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the "Factors Affecting Future Operating Results" and other cautionary statements included herein. The Company disclaims any obligation to update information contained in any forward-looking statement.

FACTORS AFFECTING FUTURE OPERATING RESULTS

The following important factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this report or presented elsewhere by management from time to time.

While we achieved profitability during fiscal years 2002 and 2003, we recently incurred losses, and we may not be able to maintain profitability.

While we achieved profitability during fiscal years 2002 and 2003, we have an accumulated deficit of $184.4 million, as of June 30, 2004. In the fourth quarter of 2003, we experienced a pre-tax loss of $1.5 million and in the first six months of 2004, we experienced a loss of $0.9 million and may not regain or increase profitability on a quarterly or annual basis in the future. If revenues grow more slowly than we anticipate, or if operating expenses exceed our expectations or cannot be adjusted accordingly, our business, results of operations and financial condition will be adversely affected.

We have a limited operating history and consequently face significant risks and challenges in building our business.

We were incorporated in August 1996, initiated our online mortgage operations in June 1997 and acquired our online auto operations in September 1999. We cannot assure that the Company will be able to operate successfully if a downturn in the mortgage or auto business occurs. As a result of our limited operating history, our recent growth and our reporting responsibilities as a public company, we may need to expand operational, financial and administrative systems and control procedures to enable us to further train and manage our employees and coordinate the efforts of our underwriting, accounting, finance, marketing, and operations departments.

Our quarterly financial results are vulnerable to significant fluctuations and seasonality, which could adversely affect our stock price.

Our revenues and operating results may vary significantly from quarter to quarter due to a number of social and economic factors. Certain months or quarters historically experience greater volumes of mortgage and auto loan applications and funded loans. Moreover, the level and direction of interest rates regulate the relative volatility of seasonal loan origination cycles. As a result, we believe that quarter-to-quarter comparisons of our operating results may not be a good indication of our future performance. It is possible that in some future periods our operating results may not meet the expectations of market analysts and investors. In this event, the price of our common stock may fall.

Interest rate fluctuations could significantly reduce customers' incentive to refinance existing mortgage loans.

Rising interest rates generally reduce the demand for mortgage loans. Due to the low interest rate environment for the last several years, a significant percentage of our mortgage customers used our services to refinance existing mortgage loans. As mortgage interest rates have risen, consumers' incentive to refinance has been greatly reduced and the number of refinance loans that we originated and the revenues generated from those loans declined significantly. In an environment of rising or high interest rates relative to the interest rates on existing loans, refinance loan revenue could continue to decline. If we are unable to increase diversified product revenue to offset the decline in refinance loan activity, our business and results of operations may be adversely affected.

Our ability to engage in profitable secondary sales of loans may also be adversely affected by increases in interest rates.

The mortgage loan purchase commitments we obtain are contingent upon our delivery of the relevant loans to the purchasers within specified periods. To the extent that we are unable to deliver the loans within the specified periods and interest rates increase during those periods, we may experience no gain or even a loss on the sale of these loans. In addition, any increase in interest rates will increase the cost of maintaining our warehouse and repurchase lines of credit on which we depend to fund the loans we originate. The interest direct margin earned on loans held-for-sale significantly benefited from the spread between long-term and short-term interest rates starting in 2001 and continuing through the second quarter of 2003. Based on historical trends, we do not expect the same level of benefit from interest rate spreads in a normal market. We have implemented a hedging program to manage the risk of loss due to fluctuations in interest rates, but our hedging efforts may not be successful, and no hedging strategy can completely eliminate interest rate risk. A sharp decrease in interest rates over a short period may cause customers who have interest rates on mortgage loans committed through us to either delay closing their loans or refinance with another lender. If this occurs in significant numbers, it may have an adverse effect on our business or quarterly results of operations.

Our hedging strategy may not succeed in reducing our exposure to losses caused by fluctuations in interest rates.

We attempt to manage our interest rate risk exposure on mortgage loan interest rate locks through hedging transactions using a combination of forward sales of mortgage-backed securities and forward wholE-LOAN sales to fix the sales price of loans we expect to fund. An effective hedging strategy is complex, and we have limited experience administering a hedging program. A successful hedging program depends in part on our ability to properly estimate the number of loans that will actually close and is subject to fluctuations in the prices of mortgage-backed securities, which do not necessarily move in tandem with the prices of loans we originate and close. To the extent that we implement a hedging strategy but are unable to effectively match our purchases and sales of mortgage-backed securities with the sale of the closed loans we have originated, our gains on sales of mortgage loans will be reduced, or we will experience a net loss on those sales. In addition, in September 2003, we began managing our interest rate exposure related to our auto loan approvals by entering into amortizing swap contracts. Approved auto loan applicants are provided a guaranteed rate for up to a 45 day period. To the extent that we implement a hedging strategy but are unable to effectively match our coverage with anticipated loan volume, it is possible that we could experience a net loss on those loan approvals. Finally, if we are unable to obtain the necessary liquidity to execute our hedging programs through multiple hedge counterparties, our hedging strategy may not succeed. We currently have one counter-party for auto hedging and 14 counterparties for mortgage hedging.

Uncertainty with respect to the time it takes to close mortgage loans can lead to unpredictable revenue and profitability.

The time between the date an application for a mortgage loan is received from a customer and the date the loan closes can be lengthy and unpredictable. The loan application and approval process is often delayed due to factors over which we have little or no control, including the timing of the customer's decision to commit to an available interest rate, the close of escrow date for purchase loans, the timeliness of appraisals and the adequacy of the customer's own disclosure documentation. Purchase mortgage loans generally take longer to close than refinance loans as they are tied to the close of the property sale escrow date. This uncertain timetable can have a direct impact on our revenue and profitability for any given period. We may expend substantial funds and resources supporting the loan fulfillment process and never generate revenue from closed loans. Therefore, our results of operations for a particular period may be adversely affected if the mortgage loans applied for during that period do not close in a timely manner or at all.

The increasing number of federal, state and local "anti-predatory lending" laws may restrict our ability to originate certain mortgage loans, or increase our risk of liability or cost of doing business.

The enactment of federal, state and local laws, rules and regulations intended to eliminate so-called "predatory" lending practices impose restrictions on loans on which certain points and fees or the annual percentage rate ("APR") exceed specified thresholds. Our mortgage loan purchasers and warehouse lenders are willing to buy or finance only a very limited selection of such loans, and these loans are subject to greater risks for actual or perceived non-compliance with such laws, rules and regulations, including demands for indemnification or loan repurchases from our loan purchasers, class action lawsuits, increased defenses to foreclosure of individual loans in default, individual claims for monetary damages, and administrative enforcement actions. The continued enactment of these laws, rules and regulations may prevent us from making certain loans and may cause us to reduce the APR or the points and fees on loans that we do make. In addition, the difficulty of managing the risks presented by these laws, rules and regulations may decrease the availability of warehouse financing and the overall demand for certain subprime loans, making it difficult to fund or sell such loans. The growing number of these laws, rules and regulations may increase our cost of doing business, as we are required to develop systems and procedures to ensure that we do not violate any aspect of these new requirements. Any of the foregoing could adversely affect our business and results of operations.

We have recently experienced significant growth in our business, and if we are unable to manage this growth, our business will be adversely affected.

Over the past two years we have experienced significant growth, which has placed a strain on our resources and will continue to do so in the future. Failure to manage this growth effectively could adversely affect our business. We may not be successful in managing or expanding our operations or maintaining adequate management, financial and operating systems and controls.

Our future success is dependent upon increased acceptance of the internet by consumers and lenders as a medium for lending.

Our success will depend in large part on widespread consumer acceptance of obtaining mortgage and auto loans online. Increased consumer use of the Internet to provide for their lending needs is subject to uncertainty. The development of an online market for mortgage and auto loans has only recently begun, is rapidly evolving and likely will be characterized by an increasing number of market entrants. If consumer acceptance of the Internet as a source for mortgage, home equity and auto loans does not increase, our business, results of operations and financial condition will be adversely affected. A number of factors may inhibit Internet usage by consumers, including privacy and security concerns regarding their personal information. The adoption of online lending requires the acceptance of a new way of conducting business, exchanging information and applying for credit by consumers that have historically relied upon traditional lending methods. As a result, we cannot be sure that we will be able to compete effectively with traditional borrowing and lending methods.

The termination of one or more of our mortgage funding sources would adversely affect our business.

We depend on GMAC Mortgage Corporation, formerly GMAC Bank ("GMAC Mortgage"), Greenwich Capital Financial Products, Inc. ("Greenwich Capital") and Merrill Lynch Mortgage Capital, Inc. (“Merrill Lynch”) to finance our mortgage loan activities through the warehouse credit facilities they provide. If any of these warehouse credit facilities becomes unavailable, our business would be adversely affected. Under our agreements with each of these lenders, we make extensive representations, warranties and various operating and financial covenants. A material breach of these representations, warranties or covenants on any of our lines could result in the termination of our agreements and an obligation to repay all amounts outstanding at the time of termination. In the past, we have had to obtain waivers from our warehouse lenders as a result of our failure to comply with covenants regarding the issuance of capital stock, excess asset purchases and our failure to meet financial ratios. More recently, we obtained a waiver from one of our warehouse lenders due to a failure to meet a current ratio covenant for the months ended April 30 and May 31, 2003. Our agreement with Greenwich Capital expires on March 14, 2005, our agreement with GMAC Mortgage expires on March 31, 2005 and our agreement with Merrill Lynch expires on February 4, 2005. Upon expiration of these agreements, management believes it will either renew its existing warehouse credit facilities or obtain sufficient additional credit facilities. However, we cannot assure that these agreements will be renewed or extended past their current expiration dates, and additional sources of funding for our mortgage loans may not be available on favorable terms or at all.

The termination of our auto line of credit would adversely affect our business.

We have obtained a line of credit from Merrill Lynch Mortgage Capital, Inc. to finance the funding of our auto loans, and this is our sole facility for auto loan fundings. If this credit facility becomes unavailable, our business could be adversely affected. Under our line of credit agreement, we make extensive representations, warranties and various operating and financial covenants. A material breach of these representations, warranties or covenants could result in the termination of the facility and an obligation to repay all amounts outstanding at the time of termination. Our line of credit with Merrill Lynch Mortgage Capital, Inc. expires July 13, 2005. Upon expiration, management believes it will either renew its existing line or obtain sufficient additional lines. However, we cannot assure you that this agreement will be renewed or extended past its current expiration date, and additional sources of funding for our auto loans may not be available on favorable terms or at all.

We are primarily dependent on four loan purchasers for most of our home equity business

For the quarter ended June 30, 2004, the majority of our home equity loans were purchased by Citicorp and RFC, and the majority of our home equity lines of credit were purchased by Wells Fargo and IndyMac, pursuant to Home

Equity Loan/Line purchase agreements. If any of these loan purchasers are unable or unwilling to purchase our home equity loans, we may experience delays in our ability to accept or process home equity loan applications until we are able to secure new sources of loan purchasers. Sufficient additional sources of loan purchasers for our home equity loans may not be available on favorable terms or at all.

We are dependent on one loan purchaser for all of our auto loan business.

We currently sell all of our prime auto loans to E-LOAN Auto Fund One, LLC, a qualified special purpose entity (QSPE). The QSPE is dependent on Merrill Lynch Bank USA to provide the necessary financing to continue purchasing loans from us. If Merrill Lynch Bank USA is unable or unwilling to provide continuing financing to the QSPE, additional forms of financing may not be available on favorable terms or at all.

We depend on the timely and competent services of various companies involved in the mortgage process; if these companies fail to timely and competently deliver these services, our business and reputation will be directly and adversely affected.

We rely on other companies to perform services related to the loan underwriting process, including appraisals, credit reporting and title searches. Any interruptions or delays in the provision of these services may cause delays in the processing and closing of loans for our customers. If we are unsuccessful in managing the timely delivery of these services we will likely experience increased customer dissatisfaction and our business and reputation could be adversely affected.

The loss of our relationship with any of our significant providers of automated underwriting would have an adverse effect on our business.

We depend on automated underwriting and other services offered by government sponsored and other mortgage investors, including Fannie Mae and Freddie Mac ("Agencies"), to help ensure that our mortgage services can be offered efficiently and on a timely basis. We currently have an agreement with the Agencies that authorizes our use of their automated underwriting services and enables us to sell qualified first mortgages to these Agencies. We cannot assure that we will remain in good standing with the Agencies or that the Agencies will not terminate our relationship. We expect to continue to process a significant portion of our conforming mortgage loans using the Agencies' systems. Our agreement with the Agencies can be terminated by either party. The termination of our agreements with the Agencies would adversely affect our business by reducing our ability to streamline the mortgage origination process.

Any outages, delays or other difficulties experienced internally or through internet service providers, online service providers or other website operators on which our users depend could adversely affect our business.

Due to the complexities of providing effective and responsive internet based products and services to customers, our information technology business model could experience delays and outages caused by a number of factors. Our IT platform is an integration of complex technologies ranging from proprietary and open source technologies to commercially available licensed technologies from industry leaders such as Cisco Systems, Sun Microsystems and Oracle. Although our IT business systems are designed to minimize downtime in the normal course of business, we cannot assure our service levels can be maintained in all possible disaster scenarios. Moreover, our users depend on Internet service providers, online service providers and other website operators for access to our website. Many Internet users have experienced significant outages in the past, and could experience outages, delays and other difficulties due to component or system failures unrelated to our systems. Any of these problems could adversely affect our business.

Our business will be adversely affected if we are unable to safeguard the security and privacy of our customers' financial data.

Internet usage could decline if any well-publicized compromise of security occurred. We may incur significant costs to protect against the threat of security breaches or to alleviate problems caused by any breaches that occur. We also retain on our premises personal financial documents we receive from prospective borrowers in connection with their loan applications. These documents are highly sensitive and if a third party were to misappropriate our customers' personal information, customers could possibly bring legal claims against us. We cannot assure that our privacy policy will be deemed sufficient by our prospective customers or compliant with any federal or state laws governing privacy, which may be adopted in the future.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate movements significantly impact our volume of closed loans and represent the primary component of market risk to us. In a higher interest rate environment, consumer demand for mortgage loans, particularly refinancing of existing mortgages, declines. Interest rate movements affect the interest income earned on loans held for sale, interest expense on the warehouse lines payable, the value of mortgage loans held for sale and ultimately the gain on sale of mortgage and auto loans.

We attempt to minimize the interest rate risk associated with the time lag between when fixed rate mortgage loans are rate-locked and when they are committed for sale or exchanged in the secondary market, through our hedging activities. Individual mortgage loan risks are aggregated by loan type and stage in the pipeline, and are then matched, based on duration, with the appropriate hedging instrument, thus mitigating basis risk until closing and delivery. We currently hedge our mortgage pipeline through mandatory forward sales of Fannie Mae mortgage-backed securities in addition to both mandatory and best efforts forward loan sale agreements with the ultimate loan purchaser. We determine which alternative provides the best execution in the secondary market. In addition, we do not believe our net interest income would be materially affected as a result of concurrent changes in long-term and short-term interest rates due to the short duration of time loans are held on the balance sheet prior to being sold (typically under thirty days). We manage our interest rate exposure related to our auto loan approvals by entering into amortizing swap contracts.

We believe that we have implemented a cost-effective hedging program to provide a high level of protection against changes in the market value of rate-lock commitments. However, an effective strategy is complex and no hedging strategy can completely insulate the Company against such changes.

ITEM 4. CONTROLS AND PROCEDURES

As of June 30, 2004, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and Rule 15d-15(e)). During the course of this evaluation the Company identified what it considered to be a deficiency in internal controls related to the documentation of the hedging policy adopted in connection with the Company’s QSPE. The Company’s QSPE is permitted by its governing documents, which include a hedging policy, to enter into certain types of hedging transactions. There were properly approved changes to the hedging policy that were not documented in a timely manner. The deficiency did not affect the economic performance of the hedges themselves, but rather was limited to the timeliness of the documentation process of the hedging policy. The Company has developed and implemented procedures in order to make sure that any changes to the hedging policy are documented in a timely fashion. Based upon that evaluation and taking into account the deficiency discussed in the preceding sentence and the mitigating controls that have been implemented, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective at a reasonable level in timely alerting them to material information relating to the Company that is required to be included in the Company's periodic filings with the Securities and Exchange Commission. Other than the internal control improvements discussed above, there has been no change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, do not expect that the Company’s disclosure controls or internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met due to numerous factors, ranging from errors to conscious acts of an individual, or individuals acting together. In addition, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, misstatements due to error and/or fraud may occur and not be detected.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these legal matters will have a material adverse effect on the Company's results of operations, financial position or liquidity.

Please refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2003, filed on March 12, 2004, which disclose claims which have been filed against the Company. There have been no material developments with respect to these claims since the previously filed Annual Report.

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

At the Registrant's Annual Meeting of Stockholders held on June 11, 2004 the following proposals were adopted by the margins indicated:

	Number of Shares	
	Voted For	Withheld
1. To elect a two Class II Directors to hold office until the Annual Meeting of Stockholders to be held in 2007 or until their respective successors have been elected or appointed		
Robert C. Kagle	56,397,094	597,136
James G. Jones	56,542,494	451,736

The following directors continued in office: Christian A. Larsen, Mark E. Lefanowicz, Claus H. Lund and Wade Randlett. Daniel Springer was appointed to the Board of Directors after the meeting on June 14, 2004.

	Number of Shares		
	Voted For	Voted Against	Abstain
2. To ratify the appointment of the accounting firm of PricewaterhouseCoopers LLP as independent auditors for the fiscal year ending December 31, 2004	56,725,420	211,025	57,786

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

3.1 Restated Certificate of Incorporation of E-LOAN dated July 2, 1999 (1)

3.2 Corrected Certificate of Amendment of Restated Certificate of Incorporation of E-LOAN, Inc. dated February 15, 2001 (2)

3.3 Amended and Restated Bylaws of E-LOAN, Inc. dated March 16, 2001 (3)

3.4 Amendment to Bylaws of E-LOAN, Inc. dated June 14, 2004

10.8 Indemnification Agreement with James Jones dated April 26, 2004

10.9 Amendment No. 1 to Master Repurchase Agreement with Merrill Lynch Mortgage Capital, Inc. dated May 20, 2004

10.10 Indemnification Agreement with Dan Springer dated June 14, 2004

10.11 Amendment Number One to Mortgage Loan Purchase and Sale Agreement with Greenwich Capital Financial Products Inc. dated June 28, 2004

10.12 Fourth Amendment to Credit Agreement with Merrill Lynch Bank USA dated June 29, 2004*

10.13 Fourth Amendment to Loan Agreement with Merrill Lynch Mortgage Capital, Inc. dated June 29, 2004*

10.14 Fourth Amendment to Systems & Services Technologies, Inc. Servicing and Custodian Agreement with Systems and Services Technologies, Inc. dated June 29, 2004

10.15 First Amendment to Contribution and Sale Agreement with E-LOAN Auto Fund One, LLC dated June 29, 2004

10.16 Indemnification Agreement with Susan Catherine Muriel dated July 1, 2004

10.17 Purchase and Sale Agreement with Merrill Lynch Bank USA dated July 14, 2004*

31.1 Chief Executive Officer Certification of Periodic Financial Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002#

31.2 Chief Financial Officer Certification of Periodic Financial Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002#

32.1 Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002+

32.2 Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002+

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(1) Incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2000, filed on August 14, 2000.

(2) Incorporated by reference to Exhibit 3.2 of the Company's Amendment to its Annual Report on Form 10-K/A for the fiscal year ended December 31, 2000, filed on April 23, 2001.

(3) Incorporated by reference to Exhibit 3.3 of the Company's Amendment to its Annual Report on Form 10-K/A for the fiscal year ended December 31, 2000, filed on April 23, 2001.

* Confidential Treatment Requested

Filed herewith

+ Furnished herewith

(b) Reports on Form 8-K

The Company furnished to the Securities and Exchange Commission one report on Form 8-K during the three months ended June 30, 2004 on May 3, 2004 for the purpose of reporting under Item 12 thereof its first quarter financial results and for the purpose of announcing the appointment of James G. Jones to the Board of Directors.

The Company filed with the Securities and Exchange Commission one report on Form 8-K during the three months ended June 30, 2004 on June 10, 2004 for the purpose of announcing the promotion of Mark Lefanowicz, its Chief Operating Officer, as the Company's new President and the hiring of Susan C. Muriel as its new Chief Marketing Officer.

SIGNATURES

Pursuant to the requirement of the Security Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

E-LOAN, INC.

Dated: August 9, 2004

By: /s/ Matthew Roberts

Matthew Roberts

Chief Financial Officer

(Principal Financial and Accounting Officer and Duly Authorized Officer)