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

FORM 10-Q

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

For the quarterly period ended July 31, 2002

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 1-4146-1

NAVISTAR FINANCIAL CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware	36-2472404
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2850 West Golf Road Rolling Meadows, Illinois	60008
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number including area code 847-734-4000

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 and (2) has been subject to such filing requirements for the past 90 days. Yes X No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15 (d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes _ No

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of July 31, 2002, the number of shares outstanding of the registrant's common stock was 1,600,000.

THE REGISTRANT IS A WHOLLY-OWNED SUBSIDIARY OF INTERNATIONAL TRUCK AND ENGINE CORPORATION AND MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS H(1)(a) AND (b) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.

NAVISTAR FINANCIAL CORPORATION
AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statement

Navistar Financial Corporation and Subsidiaries

Statements of Consolidated Income and Retained Earnings (Unaudited)

Millions of Dollars

	Three Months Ended		Nine Months Ended	
	July 2002	**July 2001**	**July 2002**	**July 2001**
Revenues				
Retail Notes	$ 11.6	$ 14.9	$ 62.5	$ 63.6
Lease Financing	23.1	24.7	70.0	74.8
Wholesale Notes	7.5	10.6	20.6	35.7
Accounts	4.1	7.5	14.1	22.8
Servicing Fee Income	6.3	8.1	18.1	24.4
Marketable Securities	2.2	5.2	7.2	18.5
Total	54.8	71.0	192.5	239.8
Expenses				
Cost of Borrowing				
Interest Expense	14.0	20.8	43.5	75.6
Other	2.1	2.3	6.0	6.8
Total	16.1	23.1	49.5	82.4
Credit, Collection and Administrative	10.5	12.0	30.7	35.3
Provision for Losses on Receivables	5.1	6.1	15.6	20.2
Depreciation and Other Expense	14.5	14.8	43.5	45.1
Total	46.2	56.0	139.3	183.0
Income Before Taxes	8.6	15.0	53.2	56.8
Taxes on Income	2.9	5.7	20.3	21.9
Income from Continuing Operations	5.7	9.3	32.9	34.9
Gain on Disposal of Discontinued Operations,				
(net of tax of $0.0, $0.0, $0.5 and $0.0)	-	-	0.7	-
Net Income	5.7	9.3	33.6	34.9
Retained Earnings				
Beginning of Period	191.3	134.5	163.4	134.9
Dividends Paid	-	-	-	(26.0)
End of Period	$ 197.0	$ 143.8	$ 197.0	$ 143.8

See Notes to Consolidated Financial Statements.

Navistar Financial Corporation and Subsidiaries

Statements of Consolidated Financial Condition

Millions of Dollars

	July 2002 (Unaudited)	October 2001	July 2001 (Unaudited)
ASSETS			
Cash and Cash Equivalents	$ 57.4	$ 22.3	$ 40.6
Finance Receivables			
Retail Notes	519.9	634.1	364.0
Lease Financing	182.4	211.5	216.8
Wholesale Notes	34.6	31.7	43.1
Accounts	78.4	215.5	135.2
	815.3	1,092.8	759.1
Allowance for Losses	(13.6)	(13.3)	(10.4)
Finance Receivables, Net	801.7	1,079.5	748.7
Amounts Due from Sales of Receivables	455.7	323.5	416.5
Net Investment in Operating Leases	263.6	283.8	285.6
Repossessions	33.8	77.7	70.5
Restricted Marketable Securities	255.0	213.7	399.9
Other Assets	34.3	48.5	30.0
Net Assets of Discontinued Operations	-	61.9	48.8
Total Assets	$ 1,901.5	$ 2,110.9	$ 2,040.6
LIABILITIES AND SHAREOWNER'S EQUITY			
Net Accounts Payable to Affiliates	$ 51.3	$ 14.2	$ 128.7
Other Liabilities	86.5	90.6	65.3
Senior and Subordinated Debt	1,376.7	1,652.6	1,511.4
Dealers' Reserves	21.5	22.2	22.3
Shareowner's Equity			
Capital Stock (Par value $1.00, 1,600,000 shares issued and outstanding) and Paid-In Capital	171.0	171.0	171.0
Retained Earnings	197.0	163.4	143.8
Accumulated Other Comprehensive Loss	(2.5)	(3.1)	(1.9)
Total	365.5	331.3	312.9
Total Liabilities and Shareowner's Equity	$ 1,901.5	$ 2,110.9	$ 2,040.6

See Notes to Consolidated Financial Statements.

Navistar Financial Corporation and Subsidiaries

Statements of Consolidated Cash Flow (Unaudited)

Millions of Dollars

Nine Months Ended	July 2002	July 2001
Cash Flow From Operations		
Net Income	$ 33.6	$ 34.9
Adjustment to reconcile net income to cash provided from operations:		
Gains on sales of receivables, net	(25.4)	(20.5)
Depreciation and amortization	45.4	46.4
Provision for losses on receivables	15.6	20.2
Increase (decrease) in accounts payable to affiliates	37.1	(137.7)
Other	18.9	3.1
Total	125.2	(53.6)
Cash Flow From Investing Activities		
Proceeds from sold retail notes, net	999.0	1,190.3
Change in amounts due and deferred from retail note sales	(132.2)	(100.0)
Purchases of retail notes and lease receivables	(704.3)	(663.3)
Principal collections on retail notes and lease receivables, net of change in unearned finance income	(97.0)	136.1
Net repurchase of sold wholesale notes	(104.9)	(211.9)
Cash collections, net of acquisitions, for wholesale notes and accounts receivable	239.0	349.0
Proceeds from sold retail accounts	-	89.1
Net (purchase)/sale or maturities of restricted marketable securities	(41.4)	(314.8)
Purchase of equipment leased to others	(51.7)	(85.4)
Sale of equipment leased to others	23.6	48.4
Proceeds from sale of discontinued operations	63.3	-
Total	193.4	437.5
Cash Flow From Financing Activities		
Net decrease in bank revolving credit facility usage	(324.0)	(354.0)
Proceeds from issuance of convertible debt	169.5	-
Debt issuance costs	(6.2)	-
Proceeds from long-term debt	70.4	93.8
Principal payments on long-term debt	(193.2)	(98.8)
Dividends paid to International	-	(26.0)
Total	(283.5)	(385.0)
Increase in Cash and Cash Equivalents from Continuing Operations	35.1	(1.1)
Net Cash from Discontinued Operations	-	0.1
Cash and Cash Equivalents at Beginning of Period	22.3	41.6
Cash and Cash Equivalents at End of Period	$ 57.4	$ 40.6
Supplementary disclosure of cash flow information:		
Interest paid	$ 46.3	$ 87.3
Income taxes paid , net of refunds	$ 16.4	$ 10.6

See Notes to Consolidated Financial Statements.

NAVISTAR FINANCIAL CORPORATION
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. The consolidated financial statements include the accounts of Navistar Financial Corporation ("NFC") and its wholly-owned subsidiaries ("Corporation"). International Truck and Engine Corporation ("International"), which is wholly owned by Navistar International Corporation ("Navistar"), is the parent company of the Corporation.

   The accompanying unaudited financial statements have been prepared in accordance with accounting policies described in the Corporation's 2001 Annual Report on Form 10-K and should be read in conjunction with the disclosures therein.

   In the opinion of management, these interim financial statements reflect all adjustments, consisting of normal recurring accruals, necessary to present fairly the results of operations, financial condition and cash flow for the interim periods presented. Interim results are not necessarily indicative of results to be expected for the full year. Certain 2001 amounts have been reclassified to conform to the presentation used in the 2002 financial statements.

2. The Corporation uses derivative financial instruments as part of its overall interest rate risk management strategy as further described under Footnote 12 of the 2001 Annual Report on Form 10-K.

   The Corporation is exposed to interest rate risk relating to changes in market interest rates. As part of its overall strategy to manage the level of exposure to the risk of interest rates adversely affecting net interest income, the Corporation uses interest rate swaps, interest rate caps, and forward contracts. The Corporation is also occasionally required by third parties to use derivative instruments to make financing possible under sold note arrangements. The Corporation’s policy prohibits the use of derivative financial instruments for speculative purposes.

   On the date the Corporation enters into a derivative contract, management designates the derivative as either a hedging or a non-hedging instrument. Additionally, management distinguishes between fair value hedging instruments, cash flow hedging instruments, and other derivative instruments.

   The Corporation recognizes all derivatives as assets or liabilities in the statement of financial condition and measures them at fair value. When certain criteria are met, it also provides for matching the timing of gain or loss recognition on the derivative hedging instrument with the recognition of changes in the fair value or cash flows of the hedged asset or liability attributable to the hedged risk. Changes in the fair value of derivatives, which are not designated as or which do not qualify as hedges for accounting purposes, are reported in the Statement of Consolidated Income.

In connection with the $179.0 million floating rate portion of the $500.0 million sale of retail note receivables that closed on November 1, 2001, the Corporation entered into two interest rate swaps. The notional amount of each interest rate swap was $179.0 million. As of July 31, 2002, the fair value of the swaps were $2.2 million and ($2.2) million. The purpose of these swaps was to convert the floating rate interest of the bonds into fixed rate interest to match the interest basis of the receivables pool sold to the owner trust, and to protect the Corporation from interest rate volatility. The net outcome, after applying the effect of these swaps, results in the Corporation paying a fixed rate of interest on the projected balance of the pool. To the extent that actual pool balances differ from the projected balances, the Corporation has retained interest rate exposure on this difference. These two derivatives are accounted for as non-hedging derivative instruments.

As of July 31, 2002, the Corporation has several outstanding derivative instruments that were entered into before fiscal 2002. One interest rate swap is classified as a cash flow hedge derivative instrument with a notional amount of $32.3 million and a fair value as of July 31, 2002 of ($1.7) million. The fair value of this derivative instrument as of July 31, 2002 is recorded in Other Liabilities in the Statement of Consolidated Financial Condition and the change in fair value for the quarter is recorded net of tax in Accumulated Other Comprehensive Loss as a $0.1 million loss. The Corporation has two interest rate swap agreements that are classified as non-hedging derivative instruments with notional amounts of $20.3 million and $16.6 million. As of July 31, 2002, their fair values were ($0.9) million and $1.0 million, respectively. The Corporation has three interest rate caps that are classified as non-hedging derivative instruments with notional amounts of $58.3 million, $500.0 million and $500.0 million. As of July 31, 2002, their fair values were $0.0 million, $4.7 million and ($4.7) million, respectively. As of July 31, 2002, the fair values of these non-hedging derivative instruments are recorded in Other Liabilities in the Statement of Consolidated Financial Condition. The changes in fair value for the quarter were recorded in Retail Note Revenue and were not material.

3. On November 30, 2000, the Corporation’s Board of Directors approved management’s plan for the sale of Harco National Insurance Company ("Harco"), a wholly-owned insurance subsidiary. On November 30, 2001, the Corporation completed the sale of all of the stock of Harco to IAT Reinsurance Syndicate Ltd., a Bermuda reinsurance company. Cash proceeds of $63.3 million were received. The Harco insurance segment was accounted for as a discontinued operation, and accordingly, amounts in the consolidated financial statements and notes thereto, for all periods shown, have been restated to reflect discontinued operations accounting.

4. The Corporation’s primary business is to provide wholesale, retail and lease financing for new and used trucks sold by International and International’s dealers, and as a result, the Corporation’s finance receivables and leases have significant concentration in the trucking industry. On a geographic basis, there is not a disproportionate concentration of credit risk in any area of the United States. The Corporation retains as collateral a security interest in the equipment associated with wholesale notes, retail notes and leases.

The Corporation securitizes and sells finance receivables through Navistar Financial Retail Receivables Corporation ("NFRRC"), Navistar Financial Securities Corporation ("NFSC"), Truck Retail Accounts Corporation ("TRAC") and Truck Engine Receivables Financing Corporation ("TERFCO"), all special purpose, wholly-owned subsidiaries of the Corporation. The sales of finance receivables in each of the securitizations constitute sales under accounting principles generally accepted in the United States, with the result that the sold finance receivables are removed from the Corporation’s balance sheet and the investor’s interests in the related trust or conduit are not reflected as liabilities. However, the special purpose entity’s residual interests in the related trusts or assets held by the conduit are reflected on the Corporation’s Statement of Consolidated Financial Condition as assets. NFRRC, NFSC, TRAC and TERFCO have limited recourse on the sold finance receivables and their assets are available to satisfy the claims of their creditors prior to such assets becoming available for their own uses or to the Corporation or affiliated companies. The terms of receivable sales generally require the Corporation to provide credit enhancements in the form of over collateralizations and/or cash reserves with the trusts and conduits. The use of such cash reserves by the Corporation is restricted under the terms of the securitized sales agreements. The maximum exposure under all receivable sale recourse provisions as of July 31, 2002 was $472.1 million; however, management believes the recorded allowance for losses is adequate.

As of July 31, 2002, the Corporation had a $500.0 million revolving retail warehouse facility due in October 2005. On October 16, 2000, Truck Retail Instalment Paper Corporation ("TRIP"), a special purpose wholly-owned subsidiary of the Corporation, issued $475.0 million of senior class AAA rated and $25.0 million of subordinated class A rated floating rate asset-backed notes. The proceeds were used to establish a revolving retail warehouse facility to fund the Corporation's retail notes and leases, other than fair market value leases. The outstanding balance of this facility is included in Senior and Subordinated Debt on the Statement of Financial Condition.

The Corporation continues to service the sold finance receivables, for which a servicing fee is received. Servicing fees are earned on a level yield basis over the terms of the related finance receivables and are included in Servicing Fee Income. Servicing fees are typically set at 1.0% of average outstanding net finance receivable balances, representing the Corporation's estimated costs to service the finance receivables.

Gains or losses on sales of finance receivables are estimated based upon the present value of future expected cash flows using assumptions for prepayment speeds and current market interest rates. These assumptions use management's best estimates commensurate with the risks involved. An allowance for credit losses is provided prior to the receivables sale and is reclassified to Amounts Due from Sales of Receivables upon sale.

Finance receivable balances do not include finance receivables sold by the Corporation to public and private investors with limited recourse provisions. Outstanding sold finance receivable balances are as follows:

	July 31, 2002	October 31, 2001	July 31, 2001
		($ Millions)	
Retail notes, net of unearned finance income	$1,805.2	$1,862.6	$2,222.7
Wholesale notes	680.0	797.3	671.0
Retail accounts	163.8	191.3	139.9
Total	$2,649.0	$2,851.2	$3,033.6

Additional financial data for serviced finance receivables as of July 31, 2002 and for the nine months then ended is as follows:

	Retail Notes	Leases	Wholesale Notes	Accounts
		($ Millions)		
Gross serviced finance receivables	$2,573.5	$473.4	$714.6	$278.4
Gross serviced finance receivables with installments past due				
over 30 days			5.8	18.7
over 60 days	16.6	5.4		
Credit losses net of recoveries	14.5	1.1	0.0	0.0

During the nine months ended July 31, 2002, the Corporation sold $1,000.0 million of retail notes, net of unearned finance income, through NFRRC in two separate sales. The Corporation sold the retail notes to owner trusts, which, in turn issued $1,000.0 million of asset-backed securities that were sold to investors. Aggregate net gains of $25.4 million were recognized on these sales. Aggregate gains are net of $3.4 million in losses on forward rate contracts. The Corporation uses forward rate contracts to limit its exposure to interest rate fluctuations on newly acquired retail notes prior to their inclusion in a securitization. During July, 2002, the Corporation entered into five forward rate contracts for an aggregate notional amount of $300.0 million in anticipation of its October planned retail notes and leases sale. As of July 31, 2002, outstanding forward contracts had a net fair value of ($1.8) million. These forward rate contracts are accounted for as non-hedging instruments. The change in fair value has been recorded as a $1.8 million loss in Retail Notes Revenue.

As of July 31, 2002, NFSC has in place a revolving wholesale note trust that provides for the funding of $837.0 million of eligible wholesale notes. The trust is comprised of three $200.0 million tranches of investor certificates maturing in 2003, 2004 and 2008, a $212.0 million tranche of investor certificates maturing in 2005 and a variable funding certificate with a maximum capacity of $25.0 million. The variable funding certificate expires in January 2003 with an option for renewal.

As of July 31, 2002, TERFCO has in place a revolving trust that provides for the funding of $100.0 million of eligible Ford accounts receivables. This facility will mature in 2006.

As of July 31, 2002, TRAC has in place a revolving retail account conduit that provides for the funding of $100.0 million of eligible retail accounts. This facility was renewed in August 2002. It expires in August 2003 and is renewable upon mutual consent of the parties.

When finance receivables are sold, the Corporation retains an interest in the securitized receivables in the form of interest-only strips, servicing rights, cash reserve accounts and subordinated certificates. The following is a summary of retained interests included in Amounts Due from Sales of Receivables:

	July 31, 2002	October 31, 2001	July 31, 2001
		($ Millions)	
Cash held and invested by trusts..	$180.4	$146.6	$173.6
Subordinated retained interests in wholesale receivables	126.5	127.1	126.8
Subordinated retained interests in retail receivables	143.0	56.4	121.5
Interest-only strips.............	22.2	10.1	14.2
Allowance for credit losses.......	(16.4)	(16.7)	(19.6)
Total	$455.7	$323.5	$416.5

The fair value of cash held and invested by trusts approximates the carrying value due to the short-term nature and variable interest rate terms of the cash deposits. The subordinated retained interests in wholesale receivables consist principally of wholesale notes or marketable securities. The subordinated retained interests in retail receivables consist principally of cash and marketable securities. Due to the short-term nature of these assets, their fair value approximates carrying value.

Key economic assumptions used in measuring the interest-only strips at the date of the securitization for securitizations completed during the fiscal year and as of July 31, 2002 for all outstanding securitizations, were as follows:

	At date of Securitization	July 31, 2002
Prepayment speed..................	1.4% – 1.6%	1.9%
Weighted average remaining life...	40 months	30 months
Residual cash flows discount rate..............................	6.93% - 9.61%	4.90% - 6.12%

The impact of hypothetical 10% and 20% adverse changes in these assumptions would have no material effect on the fair value of the interest-only strips as of July 31, 2002. These sensitivities are hypothetical and should be used with caution. The effect of a variation of a particular assumption on the fair value of the interest-only strips is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another.

The following table summarizes certain cash flows received from and (paid to) securitization trusts/conduits during the nine months ended July 31, 2002:

	($ Millions)
Proceeds from initial sales of receivables, net......	$999.0
Proceeds from subsequent sales of receivables into revolving facilities	3,385.3
Servicing fees received..............................	18.1
All other cash received from trusts..................	179.3
Purchase of delinquent or foreclosed receivables.....	(35.1)
Cash used to repurchase receivables..................	(165.0)

5. The allowance for losses on serviced finance receivables is summarized as follows:

	July 31, 2002	October 31, 2001	July 31, 2001
		($ Millions)	
Allowance for losses at beginning of period......	**$30.0**	$26.2	$26.2
Provision for losses...........................	**15.6**	27.8	20.2
Net losses charged to allowance.................	**(15.6)**	(24.0)	(16.4)
Allowance for losses at end of period.........	**$30.0**	$30.0	$30.0
Allowance pertaining to:			
Owned finance receivables....................	**$13.6**	$13.3	$10.4
Sold finance receivables.....................	**16.4**	16.7	19.6
Total....................................	**$30.0**	$30.0	$30.0

6. As of July 31, 2002, the Corporation had an $820.0 million contractually committed bank revolving credit facility that will mature in November 2005. Under the revolving credit agreement, Navistar's three Mexican finance subsidiaries, Servicios Financieros Navistar, S.A. de C.V.(“SOFOL”), Arrendadora Financiera Navistar, S.A. de C.V.(“Arrendadora”), and Navistar Comercial S.A. de C.V., are permitted to borrow up to $100.0 million in the aggregate, which is guaranteed by the Corporation. As of July 31, 2002, the outstanding balance on the Mexican finance subsidiaries’ portion of the revolver was $45.0 million.

   On May 27, 2002, the Corporation entered into an agreement to guarantee the dollar- and/or peso-denominated debt of SOFOL and Arrendadora, as co-borrowers, up to the amount of 600 million pesos (equivalent to $61.3 million U.S. dollars). As of July 31, 2002, the total outstanding balance of the debt was equivalent to $40.2 million U.S. dollars.

   On November 18, 2001, the Corporation entered into an agreement to guarantee the peso-denominated debt of SOFOL up to the amount of 500 million pesos (equivalent to $51.1 million U.S. dollars). As of July 31, 2002, the outstanding balance of peso-denominated debt was equivalent to $51.1 million U.S. dollars.

7. On March 25, 2002, the Corporation issued $220.0 million of 4.75% subordinated exchangeable notes. The Corporation received $169.5 million, before expenses, and Navistar received $50.5 million. The Corporation intends to use the proceeds for general business purposes, including working capital.

   The notes are exchangeable before maturity into Navistar common stock at an initial exchange price of $55.73 per share, subject to adjustment under the terms of the notes. The notes will mature on April 1, 2009, unless exchanged or redeemed at an earlier date.

   The Corporation may redeem some or all of the notes on or after April 1, 2005. In addition, the holders may require the Corporation to repurchase the notes before April 1, 2009. The notes are general unsecured obligations of the Corporation and are subordinated in right of payment to the Corporation’s existing and future senior indebtedness. The notes are also effectively subordinated to the Corporation’s secured indebtedness and other liabilities, including trade payables.

   As of July 31, 2002, the Corporation had unaccreted discount of $48.6 million related to the exchangeable notes.

8. The Corporation's total comprehensive income was as follows:

	Three Months Ended July 31		Nine Months Ended July 31	
	2002	2001	2002	2001
	($ Millions)			
Net Income	$5.7	$9.3	$33.6	$34.9
Change in net unrealized gain on derivative	0.1	(0.4)	(0.6)	(0.4)
Total Comprehensive Income. . .	$5.8	$8.9	$33.0	$34.5

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

Certain statements under this caption, which involve risks and uncertainties, constitute "forward-looking statements" under the Securities Reform Act. Navistar Financial Corporation's ("Corporation") actual results may differ significantly from the results discussed in such forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed under the heading "Business Outlook."

Financing Volume

In the first nine months of fiscal 2002 industry retail sales of Class 5 through 8 trucks were approximately 13.2% lower than 2001. The Corporation’s retail financing acquisitions in 2002, including retail notes and leases, were $756.0 million, 0.9% higher than 2001. The increase was primarily due to an increase in the Corporation's finance market share of new International trucks sold in the U.S. to 20.2% in 2002 from 15.6% in 2001, offset, in part, by a reduction in industry retail sales. Serviced retail notes and lease financing balances, net of unearned finance income, totaled $2,771.1 million and $3,089.1 million as of July 31, 2002 and 2001, respectively.

The Corporation provided 96% of the wholesale financing of new trucks sold to International’s dealers in the first nine months of 2002 and 2001. Serviced wholesale note balances were $714.6 million as of July 31, 2002, a 15.2% decrease compared to July 31, 2001. The decrease is primarily due to a decrease in dealer inventory levels in response to lower industry retail sales.

Results of Continuing Operations

Pretax income was $53.2 million and $56.8 million in the first nine months of 2002 and 2001, respectively. The decrease was primarily the result of lower wholesale note revenue due to lower dealer inventory levels.

Retail note financing revenue was $62.5 million and $63.6 million in the first nine months of 2002 and 2001, respectively. Aggregate year-to-date net gains on the sales of receivables were $25.4 million on $1,000.0 million of retail note receivables and $20.5 million on $1,365.0 million of retail note receivables in 2002 and 2001, respectively.

Lease financing revenue was $70.0 million and $74.8 million in the first nine months of 2002 and 2001, respectively. The decrease is primarily the result of lower average lease financing balances.

Wholesale note revenue was $20.6 million and $35.7 million in the first nine months of 2002 and 2001, respectively. The decrease is primarily a result of lower average serviced wholesale balances.

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

Results of Continuing Operations (continued)

Retail and wholesale account revenue was $14.1 million and $22.8 million in the first nine months of 2002 and 2001, respectively. The decrease is primarily the result of lower average serviced balances.

Servicing fee income was $18.1 million and $24.4 million in the first nine months of 2002 and 2001, respectively. The decrease was primarily the result of lower average sold finance receivables balances.

Marketable securities revenue was $7.2 million and $18.5 million in the first nine months of 2002 and 2001, respectively. The decrease was primarily the result of lower average interest rates.

Borrowing costs were $49.5 million and $82.4 million in the first nine months of 2002 and 2001, respectively. The decrease is a result of lower weighted average borrowing rates in combination with lower average debt balances outstanding. The weighted average borrowing rate decreased to 4.0% in the first nine months of 2002 from 6.0% for the same period in 2001. The decrease in weighted average borrowing rates is a result of lower LIBOR rates.

Provision for losses on finance receivables was $15.6 million and $20.2 million in the first nine months of 2002 and 2001, respectively. The decrease is primarily due to a decrease in repossession frequency. The allowance for losses as a percentage of serviced finance receivables, net of unearned finance income, was .80%, .71% and .71% as of July 31, 2002, October 31, 2001 and July 31, 2001, respectively.

Liquidity and Funds Management

The Corporation has traditionally obtained the funds to provide financing to International's dealers and retail customers from sales of finance receivables, commercial paper, short and long-term bank borrowings, medium and long-term debt and equity capital. The Corporation’s current debt ratings have made sales of finance receivables the most economical source of funding.
In August 2002, Standard and Poor’s lowered the Corporation’s senior debt ratings to BB from BB+. In March 2002, Fitch lowered the subordinated debt ratings to BB- from BB.

Operations provided $125.2 million in cash in the first nine months of 2002 due in part to an increase of $37.1 million in net accounts payable to affiliates. Investing activities provided $193.4 million in cash during the period consisting primarily of proceeds received from retail note receivables sales in excess of costs to acquire retail notes; cash collections on wholesale notes and accounts, and the sale of Harco National Insurance Company. Financing activities used $283.5 million during the period primarily to decrease the bank revolving credit facility by $324.0 million and subordinated debt outstanding by $193.2 million. Proceeds

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

Liquidity and Funds Management (continued)

from issuance of convertible debt provided funding of $169.5 million.

On March 25, 2002, the Corporation issued $220.0 million of 4.75% subordinated exchangeable notes. The Corporation received $169.5 million, before expenses, and Navistar received $50.5 million. The Corporation used the proceeds for general business purposes, including working capital.

The Corporation securitizes and sells finance receivables through Navistar Financial Retail Receivables Corporation ("NFRRC"), Navistar Financial Securities Corporation ("NFSC"), Truck Retail Accounts Corporation ("TRAC") and Truck Engine Receivables Financing Corporation ("TERFCO"), all special purpose, wholly-owned subsidiaries of the Corporation. The sales of finance receivables in each of the securitizations constitute sales under accounting principles generally accepted in the United States, with the result that the sold finance receivables are removed from the Corporation’s balance sheet and the investor’s interests in the related trust or conduit are not reflected as liabilities. However, the special purpose entity’s residual interest in the related trusts or assets held by the conduit is reflected on the Corporation’s Statement of Consolidated Financial Condition as assets.

During the nine months ended July 31, 2002, the Corporation sold $1,000.0 million of retail notes, net of unearned finance income, through NFRRC in two separate sales. The Corporation sold the retail notes to owner trusts, which, in turn issued $1,000.0 million of asset-backed securities that were sold to investors. Aggregate net gains of $25.4 million were recognized on these sales. As of July 31, 2002, the remaining shelf registration available to NFRRC for the public issuance of asset-backed securities was $2,500.0 million.

In November 2000, the Corporation established Truck Engine Receivables Financing Corporation, a special purpose, wholly-owned subsidiary of the Corporation, for the purpose of securitizing engine accounts receivable. On November 21, 2000, the Corporation securitized all of its unsecured trade receivables generated by the sale of diesel engines and engine service parts from International Truck and Engine Corporation ("International") to Ford Motor Company. The transaction provides for funding of $100.0 million and matures in 2006. As of July 31, 2002, the Corporation has utilized $63.8 million of this facility.

Truck Retail Accounts Corporation, a special purpose, wholly-owned subsidiary of the Corporation, has in place a revolving retail account conduit that provides for the funding of $100.0 million of eligible retail accounts. As of July 31, 2002, the Corporation has utilized $100.0 million of this facility. The facility was renewed in August 2002. It expires in August 2003 and is renewable upon mutual consent of the parties.

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

Liquidity and Funds Management (continued)

As of July 31, 2002, Navistar Financial Securities Corporation (“NFSC”), a special purpose, wholly-owned subsidiary of the Corporation, has in place a revolving wholesale note trust that provides for the funding of $837.0 million of eligible wholesale notes. It is comprised of three $200.0 million tranches of investor certificates maturing in 2003, 2004 and 2008, a
$212.0 million tranche of investor certificates maturing in 2005 and variable funding certificates with a maximum capacity of $25.0 million maturing in January 2003. As of July 31, 2002, NFSC has utilized $680.0 million of the revolving wholesale note trust.

As of July 31, 2002, available funding under the bank revolving credit facilities, the revolving retail warehouse facility and the revolving wholesale note trust was $908.2 million. When combined with unrestricted cash and cash equivalents, $965.6 million was available to fund the general business purposes of the Corporation.

Business Outlook

Certain statements, which involve risks and uncertainties, constitute "forward-looking statements" under the Securities Reform Act. The Corporation's actual results may differ significantly from the results discussed in such forward-looking statements.

Reflecting the continued industry-wide decline in new truck orders, Navistar adjusted its industry projections for 2002. Navistar currently projects 2002 U.S. and Canadian Class 5, 6, and 7 medium truck demand, excluding school buses, to be 4.0% less than previously forecasted. Demand for school buses remains unchanged as does the forecast for Class 8 heavy trucks. Increased volatility in the capital markets is likely to put additional pressure on the funding rates available to the Corporation in the asset-backed public market and other debt financing markets.

Management believes that collections on the outstanding finance receivables portfolio plus cash available from the Corporation’s various funding sources will permit the Corporation to meet the financing requirements of International’s dealers and retail customers through 2002 and beyond.

ITEM 4. CONTROLS AND PROCEDURES

For the quarter ended July 31, 2002, the Corporation did not make any significant changes to, nor take any corrective action regarding, its internal controls or other factors that could significantly affect these controls.

NAVISTAR FINANCIAL CORPORATION
AND SUBSIDIARIES

PART II – OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the three months ended July 31, 2002.

SIGNATURE

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

Navistar Financial Corporation
(Registrant)

Date September 13, 2002

/s/Ronald D. Markle

R. D. Markle
Vice President and Controller
(Principal Accounting Officer)

NAVISTAR FINANCIAL CORPORATION
AND SUBSIDIARIES

CERTIFICATIONS

I, John J. Bongiorno, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Navistar Financial Corporation, subsidiary of International Truck and Engine Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

Date September 13, 2002

/s/John J. Bongiorno
John J. Bongiorno
President and Chief Executive Officer
(Principal Executive Officer)

NAVISTAR FINANCIAL CORPORATION
AND SUBSIDIARIES

CERTIFICATIONS

I, Andrew J. Cederoth, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Navistar Financial Corporation, subsidiary of International Truck and Engine Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

Date September 13, 2002

/s/Andrew J. Cederoth
Andrew J. Cederoth
(Principal Financial Officer)