S7-21-04

INVESTMENT COMPANY INSTITUTE

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October 29, 1996

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OFFICE OF THE DIRECTOR
CORPORATION FINANCE

Mr. Michael H. Mitchell
Special Counsel
Division of Corporation Finance
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: Asset-Backed Securities Offerings

Dear Mr. Mitchell:

The Investment Company Institute[1] understands that the staff of the Division of Corporation Finance intends to develop a rule proposal over the next few months that would address disclosure and reporting issues for asset-backed securities (ABS) offerings. As part of the staff's preparation, you have asked for our preliminary thoughts, on behalf of the Institute's members as purchasers of asset-backed securities, on what might be appropriate subjects to be addressed in the proposed rulemaking. We appreciate the opportunity to provide our views and look forward to working with the Commission as it moves forward with this important initiative.

Introduction and Summary of the Institute's Recommendations

The ABS market has grown significantly over the past ten years. The growth has been attributed to a number of factors, including an increased supply of new financial products, innovations in the pooling of financial assets, the availability of technology and computers (which have facilitated sophisticated modeling and analysis of these products) and a hospitable regulatory environment.[2] The ABS market has been characterized by creativity, innovation and diversity. Thus, while we believe that certain changes in the regulatory framework governing these securities (described below) would be advisable, we recognize the need for the Commission to proceed carefully and to ensure that there is ample opportunity for thoughtful comment.

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[1] The Investment Company Institute is the national association of the American investment company industry. Its membership includes 6,033 open-end investment companies ("mutual funds"), 446 closed-end investment companies and 10 sponsors of unit investment trusts. Its mutual fund members have assets of about $3.089 trillion, accounting for approximately 95% of total industry assets, and have over 38 million individual shareholders. In addition, the Institute's membership includes 452 associate members which render investment management services exclusively to non-investment company clients. A substantial portion of the total assets managed by registered investment advisers are managed by these Institute members and associate members.

[2] *See generally Protecting Investors: A Half Century of Investment Company Regulation,* Division of Investment Management, Securities and Exchange Commission (May 1992) at pp. 1-25.

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Mutual funds and other registered investment companies are significant purchasers of asset-backed securities on behalf of millions of individual investors who own shares in the funds. The advisers to mutual funds have devoted substantial time and resources in understanding the structure of the ABS market and in analyzing specific securities offerings. Their efforts to analyze ABS offerings are made more difficult, however, when the timeliness and quality of written information are insufficient. In some ABS offerings, our members report, there is little or no written information available to investors prior to their making an investment decision to purchase securities.

The Institute believes that purchasers of asset-backed securities should receive as much information about the offerings as possible, as early in the offering process as practicable. Accordingly, we recommend that the Commission propose a basic registration regime for ABS offerings that would involve (1) prospectuses that contain essential information about the offering and (2) ongoing disclosure reports regarding performance of the underlying assets and payment data. We have preliminarily identified some of the disclosure items that our members find useful in analyzing ABS offerings and that should be considered for inclusion in the above-mentioned documents. We also recommend that preliminary ABS prospectuses be made available upon request prior to purchasers' making an investment decision.

I. ABS Prospectuses

The variety, number and complexity of ABS offerings all have increased dramatically over the past several years, as has the speed with which these offerings are being brought to market.[3] Several of the Institute's members have reported, for example, that ABS offerings are generally being brought to market under compressed time periods, especially those offerings using the shelf registration process.[4] Our members also report that the vast majority of publicly offered asset-backed securities are issued under the shelf registration system.

The Institute is concerned that the compressed time frame for ABS offerings may have an adverse effect on the ability of purchasers to make an informed investment decision before purchasing these securities.[5] Under current Commission rules, prospectus delivery is required prior to or at the same time as the confirmation in primary offerings. Although preliminary prospectuses may be delivered to investors in advance of purchases, the Commission has, through the no-action process, specifically exempted broker-dealers participating in a

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[3] *See, e.g., What's Next, Bridge Tolls? – Almost any risk can be securitized – but quality may be iffy*, Business Week (Sept. 2, 1996).

[4] Specifically, several members have noted that they have received telephone calls in the morning from a broker-dealer that seeks a commitment to purchase securities in an ABS offering that will be priced by the end of the trading day.

[5] As the Commission has recently stated, "One key element of the full disclosure objective is ensuring that investors are given sufficient time to consider material information in making investment decisions." Release Nos. 33-7314; 34-37480 (July 25, 1996) (Securities Act Concepts and Their Effects on Capital Formation) at p. 13.

distribution of asset-backed securities from having to deliver a preliminary prospectus to investors.[6]

In an effort to address the growing demand for pre-sale information in ABS offerings, broker-dealers have developed the convention of making "term sheets" and "written computational materials" available to purchasers. The content and distribution of these materials have been governed by a series of no-action letters issued by the Division staff.[7] Since, in many cases, preliminary prospectuses are not publicly disseminated in ABS offerings, purchasers must rely upon such term sheets and computational materials when making investment decisions.

It appears, however, that these term sheets and computational materials may not always provide adequate disclosure. The Institute's members report, for example, that information pertaining to the classes of securities within an ABS offering and to the pool collateral may be incomplete or missing from preliminary disclosure materials provided to purchasers. As an additional example, the current level of disclosure regarding prefunding of ABS offerings is often inadequate.[8] Without greater specificity as to the prefunding percentage and to the characteristics of the receivables that will be purchased by the ABS issuer, and the time when these receivables will be purchased, purchasers may find it difficult to conduct their own analysis of the credit quality of the ABS offering. Further, there often is no uniformity or consistency in the dissemination or content of term sheets.[9] Moreover, one Institute member

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[6] In particular, the staff's no-action positions have allowed broker-dealers to offer securities without having to provide a "red-herring" or preliminary prospectus to prospective purchasers, as long as a final prospectus is sent or given to the purchasers prior to or at the same time as the sending of the confirmation. *See Public Securities Association* (pub. avail. Dec. 18, 1995) [hereinafter *PSA I letter*].

[7] *See, e.g., Public Securities Association* (pub. avail. Feb. 17, 1995) [hereinafter *PSA II letter*]; *Mortgage and Asset-Backed Securities–Furnishing Information to Customers*, (pub. avail. May 20, 1994). The *PSA II letter* described two types of ABS term sheets that are used by broker-dealers: (1) Structural Term Sheets, which are "brief written descriptions of the securities to be offered that set forth the name of the issuer, the size of a potential offering, the structure of the offering . . . and miscellaneous similar items" and (2) Collateral Term Sheets, which provide "descriptive data about the assets underlying the proposed ABS offering." According to the *PSA II letter*, in the case of an offering being made pursuant to a registration statement on Form S-3 or another form that permits incorporation by reference of periodic reports under the Exchange Act, term sheets and computational materials must be filed on a Form 8-K and incorporated by reference into the registration statement.

[8] In certain ABS offerings, issuers undertake to provide funding for collateral that will be securitized in the future ("prefunding"). For example, as part of a package of $400 million of securitized automobile loans, an issuer might prefund $100 million in anticipation of purchasing automobile loans originated during the next three months. The Institute understands that the Division of Corporation Finance has an informal rule that requires an issuer that plans on prefunding over 25% of the assets in a pool to submit its registration statement for review by the staff before it can become effective. We recommend that the Division require staff review of *all* ABS registration statements that involve prefunding arrangements, regardless of the percentage of assets subject to prefunding.

[9] The Institute's members report that computational materials often are furnished to prospective investors in a variety of formats and by means of facsimile or electronic transmission.

reports that several broker-dealers have stopped providing term sheets to customers, citing liability concerns.

In order to provide for more complete disclosure on a more consistent basis, the Institute recommends that the Commission propose requiring prospectuses for ABS offerings to contain a series of specified items, representing the basic information that prospective purchasers find to be essential in making an investment decision. We also recommend that such prospectuses (in the form of preliminary prospectuses) be made available upon request prior to purchasers' making an investment decision.

A. Contents of ABS Prospectuses

The Institute's members have preliminarily identified a number of disclosure items that should be required to be included in ABS prospectuses.[10] Specifically, we recommend that ABS prospectuses contain: (1) a transaction summary that provides relevant information about the offering; (2) disclosure of general information regarding the ABS offering, including information on the participants in the transaction, the assets being securitized, credit enhancements, ratings, prefunding arrangements and tax characteristics of the securities; (3) disclosures concerning each class of security being offered; (4) disclosure of information on the pool of collateral underlying the offering; and (5) disclosure of information concerning the financial performance of the servicer.

Each of these disclosures is described below.

1. Transaction Summary. The Institute recommends that each ABS prospectus contain a transaction summary that would provide a concise summary of the significant disclosure items found in the prospectus. Two examples of transaction summaries that were useful to the Institute's members are attached at Exhibit A.[11]

2. General Disclosures About the ABS Offering. The Institute recommends that all ABS prospectuses contain certain general disclosure items concerning the offering. The following is a preliminary list of many of the disclosures that should be included:

- Identification of the participants in the transaction (*e.g.*, seller, servicer and trustee) and a description of the structure of the special purpose entity issuing the securities.

[10] The Institute recognizes that ABS offerings involve the securitization of a variety of assets (*e.g.*, credit card receivables, home mortgages) and, as such, it may be necessary to require specific disclosures related to particular asset classes. However, we believe that there are certain basic disclosure items that are relevant to all ABS offerings and that, if required to be provided in ABS offering prospectuses, would greatly benefit investors.

[11] The Exhibits provided with this letter are for illustration purposes only. The first transaction summary provided in Exhibit A is from a Rule 144A offering and is intended to provide an example of a useful transaction summary that might be employed in the context of an ABS offering.

- A description of the assets being securitized and the criteria that assets must satisfy before purchase.

- Disclosure of any expected ratings for the securities and any characteristics and limitations of the ratings.

- A description of all credit enhancements and reserve accounts.

- A description of any cash-flow models being used, a statement as to whether, and how frequently, the model will be independently checked by the rating agencies and a description of the assumptions underlying the model and any known limitations.

- Identification of any obligor that constitutes a certain percentage (*e.g.*, 5-10%) of assets being securitized or a statement that there will be no such obligors.[12]

- Disclosure of the reports that the holder can expect to receive with respect to the issuer and with respect to distributions, including the schedule for release of information.

- A detailed description of any prefunding arrangements.

- Tax disclosure regarding the treatment of the special purpose entity and the securities.

- Disclosure of whether the securities are eligible to be purchased by retirement plans subject to ERISA.

3. <u>Disclosures for Each Class of Security</u>. The Institute recommends that ABS prospectuses contain a series of disclosure items that would identify the various classes of securities being offered and the various financial characteristics of each class. The following is a preliminary list of items that should be included:

- A description of each class of securities supported by the pool of securitized assets, including a diagram (or flowchart) showing the priority and allocation of cash flows to each class.

- If the securities pass through prepayments from the securitized assets, a table showing the effect of different prepayment rates on the expected maturity of

[12] This item is especially important for money market funds that might be purchasers of asset-backed securities. *See* Release Nos. 33-7275; IC-21837 (March 21, 1996) at pp. 47-55 (clarifying diversification, credit quality and maturity standards applicable to synthetic and asset-backed securities eligible to be purchased by money market funds).

each class of securities. If the table is based on a prepayment model, the material terms and assumptions of the model also should be disclosed.

- Disclosure of the key financial information for each class of securities (*e.g.*, the size of the offering, expected ratings, underwriters, expected settlement dates, payment frequencies, record dates, initial loan-to-value ratios, payment window periods, initial average lives (in years) and expected maturities and final maturities).

- Disclosure of the rights and remedies of the purchasers of securities vis-à-vis the issuer, sponsor, trustee, and credit provider, as well as rights between the classes of securities being issued. Disclosure of any voting rights of the securities and how these rights are allocated among the holders of different classes.

4. <u>Disclosure of Specific Information on Collateral</u>. The Institute recommends that all ABS prospectuses contain detailed information concerning the pool of collateral underlying the ABS offering. This type of disclosure would be tailored to the type of collateral subject to the ABS offering. A representative example of such disclosure for an offering of asset-backed notes, financed by a pool of mortgage loans, is attached at Exhibit B. The disclosure contains, among other things, the following tables for the mortgage loan collateral:

- A table containing the geographic distribution of the pool of collateral of mortgaged loans.

- A table containing loan-to-value ratios for the mortgage loans.

- A table containing the loan interest rates, number of mortgage loans at each rate, and the loan balances at the cut-off dates.

- A table showing the distribution of the outstanding scheduled principal amounts of the mortgage loans as of the cut-off date (*i.e.*, the date established by the issuer for calculation of the collateral statistics).

- A table listing the types of mortgaged properties securing the mortgage loans.

- A table showing the distribution of the number of months since the date of origination of the mortgage loans as of the cut-off date.

- A table containing the distribution of the number of months remaining to stated maturity of the mortgage loans as of the cut-off date.

- A description of underwriting procedures and credit and collection policies.

5. Loss, Delinquency and Prepayment Information. The Institute believes that investors in ABS offerings should be given data pertaining to the financial performance of the servicer. Such information would include disclosure of historical loss, delinquency and prepayment rates experienced by the servicer either with respect to the existing pool or on comparable pools of assets. In addition, a "vintage analysis" (*i.e.*, a historical breakdown of delinquency, loss and prepayment statistics by year of origination) is critical to enable investors to determine changes in underwriting standards – and therefore loss and prepayment rates – over time. Accordingly, the Institute recommends that ABS prospectuses contain the following disclosures:

- A table containing loss, delinquency and prepayment statistics. A representative example of credit performance data is attached at Exhibit C.
- A table containing vintage analyses for the collateral underlying the securities.
- A table containing disclosure of the value of principal outstanding for the collateral underlying each class of securities assuming various prepayment rates, as well as the assumptions and methodology of any model used to estimate prepayment rates. A representative example is attached at Exhibit D.

B. Prior Delivery of ABS Prospectuses Upon Request

The Institute's members report that preliminary ABS prospectuses generally are not available to purchasers prior to sale, even if the investor specifically requests such a prospectus from the selling broker-dealer. Instead, some selling broker-dealers provide purchasers with term sheets concerning the ABS offering. As discussed above, term sheets often provide incomplete or inadequate information concerning the offering and, in some cases, may not be available.

To address these concerns, the Institute recommends that the Commission require preliminary prospectuses to be made available to prospective purchasers prior to their making an investment decision. One possibility would be for the Commission to require broker-dealers to make preliminary prospectuses available to purchasers upon request at least 48 hours prior to the purchasers' making an investment decision.[13] The preliminary prospectus would contain the information set forth above. The final prospectus would be delivered with the confirmation of sale and would contain final pricing information.

[13] For example, broker-dealers could be required under Securities Exchange Act Rule 15c2-8(b) (or a new, similar rule) to deliver a preliminary prospectus upon request at least 48 hours prior to a purchase decision.

II. Post-Offering Disclosure

Unless ABS issuers are required to report under the Exchange Act,[14] purchasers are dependent on commitments of the sponsor to supply ongoing disclosure regarding the performance of the underlying assets and payment data.[15] The Institute's members believe that it is important for them to receive, for example, information as to the repayment status and current balances of asset-backed securities.[16] Repayment information is essential to many investors in evaluating whether to purchase asset-backed securities, and, after purchasing, in performing pool and payment surveillance. Purchasers also may need to obtain this data in order to determine whether payments should be characterized as interest or principal payments. It should be noted that this information exists and could be made available to investors; we understand that ABS issuers typically provide it to the Depository Trust Company and the rating agencies.[17]

Accordingly, the Institute recommends that the Commission propose a continuous reporting regime for ABS issuers.[18] ABS issuers could, for example, be required to file servicer reports with the Commission on a monthly basis and to make those reports available to investors. We recommend that ongoing ABS reports contain items with the following information:

- Information on the actual principal and interest payments and on the status of collections.
- Notice of any amortization events scheduled for the collateral.[19]

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[14] The Institute understands that "essentially all ABS issuers obtain relief from compliance with the generally applicable reporting requirements of the Exchange Act (*i.e.*, Sections 13(a) and 15(d))." *PSA I Letter*, *supra* note 6.

[15] One of the Institute's members reports that commitments from sponsors to supply such data to purchasers tend to be vague and unclear and are of questionable enforceability.

[16] Moreover, on-going reporting obligations for ABS issuers are particularly important for securities that are eligible for purchase by money market funds. Many of these securities are not registered under the Securities Act of 1933 either because they are exempt from registration (*e.g.*, commercial paper) or sold in exempt transactions.

[17] For example, the Institute understands that a "Monthly Servicer Report" is prepared by many ABS issuers and provided to the Depository Trust Company and the rating agencies.

[18] The Commission might consider, for example, proposing an amendment to Rule 3a-7 under the Investment Company Act of 1940 that would add a continuous reporting requirement to the conditions of the rule that must be followed by an ABS issuer in order to be excluded from the definition of "investment company" under the Investment Company Act.

[19] An amortization event might include, for example, a situation in which the loss or delinquency rates for a pool of collateral reach a certain level or percentage.

- Disclosure of the weighted average coupon and maturity of the underlying collateral on a monthly basis.

- Information on the status of credit enhancements.

- Reports on the losses, delinquencies and prepayment rates for each pool of collateral underlying the securities. In situations in which an issuer cannot provide static pool-type statistics (*e.g.*, in the situation of a master trust), we recommend that issuers be required to provide a monthly vintage analysis for the entire pool of collateral.

* * *

We appreciate the opportunity to provide the Division of Corporation Finance with our preliminary views concerning disclosure in ABS offerings. If you have any questions concerning our comments or would like additional information, please contact the undersigned at 202-326-5923.

Very truly yours,

Alexander C. Gavis

Alexander C. Gavis
Assistant Counsel

Exhibits A-D

cc: Mr. Brian J. Lane
Director
Ms. Abigail Arms
Associate Director
Division of Corporation Finance

Mr. Barry P. Barbash
Director
Division of Investment Management
Securities and Exchange Commission

OFFERING MEMORANDUM

STRICTLY CONFIDENTIAL

Exhibit A

$352,000,000
NWA TRUST NO. 2
$176,000,000 9.25% Class A Senior Aircraft Notes
$66,000,000 10.23% Class B Mezzanine Aircraft Notes
$44,000,000 11.30% Class C Mezzanine Aircraft Notes
$66,000,000 13.875% Class D Subordinated Aircraft Notes

NORTHWEST AIRLINES

The 9.25% Class A Senior Aircraft Notes (the "Class A Notes") are being issued pursuant to the Class A Trust Indenture (the "Class A Indenture") among Wilmington Trust Company (not in its individual capacity but solely as owner trustee (the "Owner Trustee") of the owner trust (the "Owner Trust") under a Trust Agreement between Win-Win L.P. (the "Partnership" or the "Owner Participant") and Wilmington Trust Company), Northwest Airlines Corporation ("NWA Corp." and, together with its subsidiaries, the "Company"), Northwest Airlines, Inc. ("Northwest" or the "Lessee") and State Street Bank and Trust Company, as indenture trustee (the "Class A Indenture Trustee"). The 10.23% Class B Mezzanine Aircraft Notes (the "Class B Notes") are being issued pursuant to the Class B Trust Indenture (the "Class B Indenture") among the Owner Trustee, NWA Corp., Northwest and State Street Bank and Trust Company, as indenture trustee (the "Class B Indenture Trustee"). The 11.30% Class C Mezzanine Aircraft Notes (the "Class C Notes") are being issued pursuant to the Class C Trust Indenture (the "Class C Indenture") among the Owner Trustee, NWA Corp., Northwest and State Street Bank and Trust Company, as indenture trustee (the "Class C Indenture Trustee"). The 13.875% Class D Subordinated Aircraft Notes (the "Class D Notes") are being issued pursuant to the Class D Trust Indenture (the "Class D Indenture") among the Owner Trustee, NWA Corp., Northwest and State Street Bank and Trust Company, as Indenture Trustee (the "Class D Indenture Trustee"). Interest payments on the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes (collectively, the "Notes") will be made on June 21 and December 21 of each year, commencing June 21, 1995 (each such date, a "Payment Date," except that, if any such date shall not be a Business Day (as defined), the Payment Date shall be the next succeeding Business Day). Principal payments will be made to the extent the Collateral Agent (as defined) receives amounts payable by Northwest under the Lease described below. Such principal payments (with respect to the Class A Notes, the Class B Notes and the Class C Notes) are expected to be made on each Payment Date commencing on June 21, 1995 and ending on December 21, 2012, the date by which such Notes are expected to have been paid in full. The full principal amount of the Class D Notes is expected to be paid on December 21, 2006. The Class B Notes will be subordinated to the Class A Notes, the Class C Notes will be subordinated to the Class A Notes and the Class B Notes, and the Class D Notes will be subordinated to the Class A Notes, the Class B Notes and the Class C Notes, in right of all distributions on the Notes, except that on each Payment Date prior to the date on which any Class of Notes has become or been declared to be immediately due and payable, payments of accrued interest on all Notes will be made prior to payments of principal of any Notes. See "Description of the Notes — Priority of Distributions."

(Continued on following page)

The Notes are expected to be eligible for trading in the Private Offerings, Resales and Trading through Automated 'nkages ("PORTAL") market.

See "Investment Considerations" for a discussion of certain factors that should be considered by prospective investors in -valuating an investment in the Notes.

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND, UNTIL SO REGISTERED, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE NOTES ARE BEING OFFERED AND SOLD ONLY (A) TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN COMPLIANCE WITH RULE 144A, (B) TO A LIMITED NUMBER OF OTHER INSTITUTIONAL "ACCREDITED INVESTORS" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) THAT, PRIOR TO THEIR PURCHASE OF NOTES, DELIVER TO THE INITIAL PURCHASERS (AS DEFINED) A LETTER CONTAINING REPRESENTATIONS AND AGREEMENTS, AND (C) IN TRANSACTIONS OUTSIDE THE UNITED STATES IN COMPLIANCE WITH THE SECURITIES ACT. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON RESALE OR TRANSFER, SEE "TRANSFER RESTRICTIONS."

	Price to Investors	Discounts and Commissions(1)	Proceeds to the Owner Trust(1)
Per Class A Note	100.0%	0.650%	100.0%
Per Class B Note	100.0%	0.750%	100.0%
Per Class C Note	100.0%	1.775%	100.0%
Per Class D Note	100.0%	2.500%	100.0%
Total	$352,000,000	$4,070,000	$352,000,000

(1) Offering expenses, estimated at $4,000,000, and underwriting commissions will be paid by the Owner Participant. Northwest and NWA Corp. have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act. See "Plan of Distribution."

The Notes are offered, subject to prior sale, when, as and if issued to and accepted by the Initial Purchasers and subject to certain conditions. It is expected that delivery of the Notes will be made through the facilities of The Depository Trust Company on or about December 21, 1994.

.HMAN BROTHERS

MORGAN STANLEY & CO.
INCORPORATED

KIDDER, PEABODY & CO.
INCORPORATED

December 15, 1994

OFFERING MEMORANDUM SUMMARY

The following is a summary of more detailed information contained elsewhere in this Offering Memorandum and should be read only in conjunction with the entire Offering Memorandum. Included under "Description of the Notes — Certain Definitions" is a Glossary of certain of the significant defined terms used herein.

Transaction Overview

On several delivery dates occurring prior to the closing date (the "Closing Date") for the Offering, Northwest will transfer thirteen Airbus A320-211 aircraft (collectively, the "Aircraft"), subject to certain existing indebtedness in favor of AVSA, an affiliate of Airbus, and secured by such Aircraft (the "Existing Indebtedness"), to Win-Win L.P., a Delaware limited partnership (the "Partnership" or the "Owner Participant"), of which Northwest is the limited partner (in such capacity, the "Limited Partner") and Norbus, Inc., an affiliate of Airbus, is the general partner (in such capacity, the "General Partner"). Simultaneously with each such transfer, the Owner Participant will transfer such Aircraft, subject to the Existing Indebtedness, to the Owner Trust, the beneficiary of which is the Partnership. The Aircraft will have been appraised by three independent appraisers and the fair market value of the Aircraft (the "FMV") of $440 million (see "Description of the Aircraft and the Appraisals") was determined based upon the appraisals of such three firms. Concurrently with the acquisition of each Aircraft, the Owner Trustee will lease such Aircraft back to Northwest under the Lease. Northwest's obligations under the Lease will be guaranteed pursuant to the Guaranty issued by NWA Corp., the indirect parent of Northwest.

On the Closing Date for the Offering, the Owner Trustee will issue the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes. As of the Closing Date, the outstanding principal amount of the Class A, Class B, Class C and Class D Notes (together in each case with the outstanding principal amount of the Notes of all Classes senior to such Class) will not exceed 40%, 55%, 65% and 80%, respectively, of the FMV of the Aircraft. The proceeds of $352 million from the sale of the Notes, together with the proceeds of an equity contribution by the Partnership to the Owner Trust (which equity contribution was received in turn as (i) an equity, contribution in the Partnership by the General Partner and (ii) a loan made to the partnership by AVSA), will be paid to AVSA on the Closing Date by the Owner Trustee and applied by AVSA to the payment in full of the principal amount of the Existing Indebtedness.

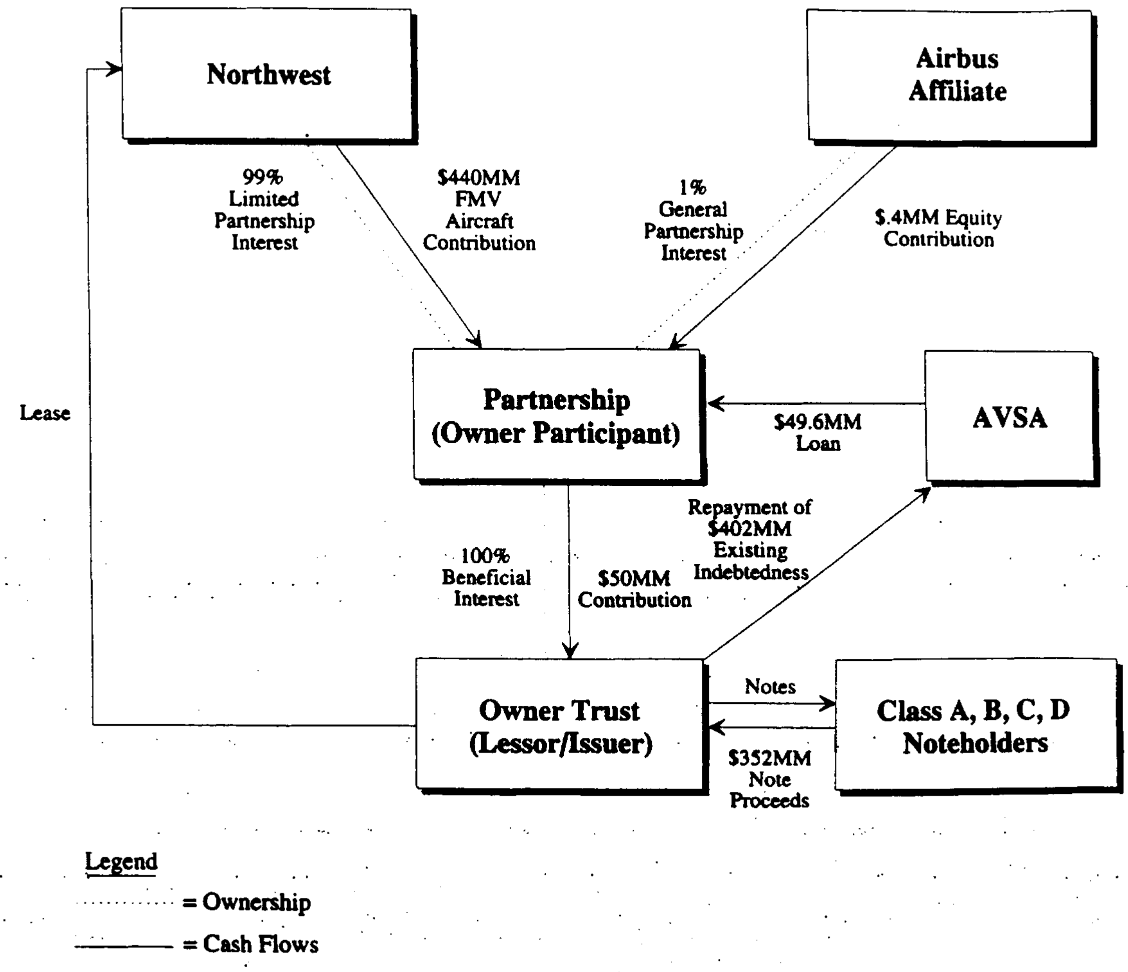
As noted above, each of AVSA and Norbus, Inc. is an affiliate of Airbus. The Company currently operates 50 Airbus A320-211 aircraft in its fleet (including the Aircraft), of which 23 (including the Aircraft) are financed under arrangements with affiliates of Airbus. In addition, the Company has a purchase contract with AVSA for the purchase of 16 Airbus A330 aircraft, eight each in 1999 and 2000.

The Notes offered hereby will be secured by a security interest granted on the Closing Date to the Collateral Agent by the Owner Trustee in, among other things, the Aircraft and, subject to certain exclusions, the Owner Trustee's interest in the Lease and the Guaranty. The Owner Trustee will obtain, for the benefit of the Class A, Class B and Class C Noteholders, the Liquidity Facility to support the payment of no more than three successive interest payments on the Class A, Class B and Class C Notes (at the Stated Interest Rates).

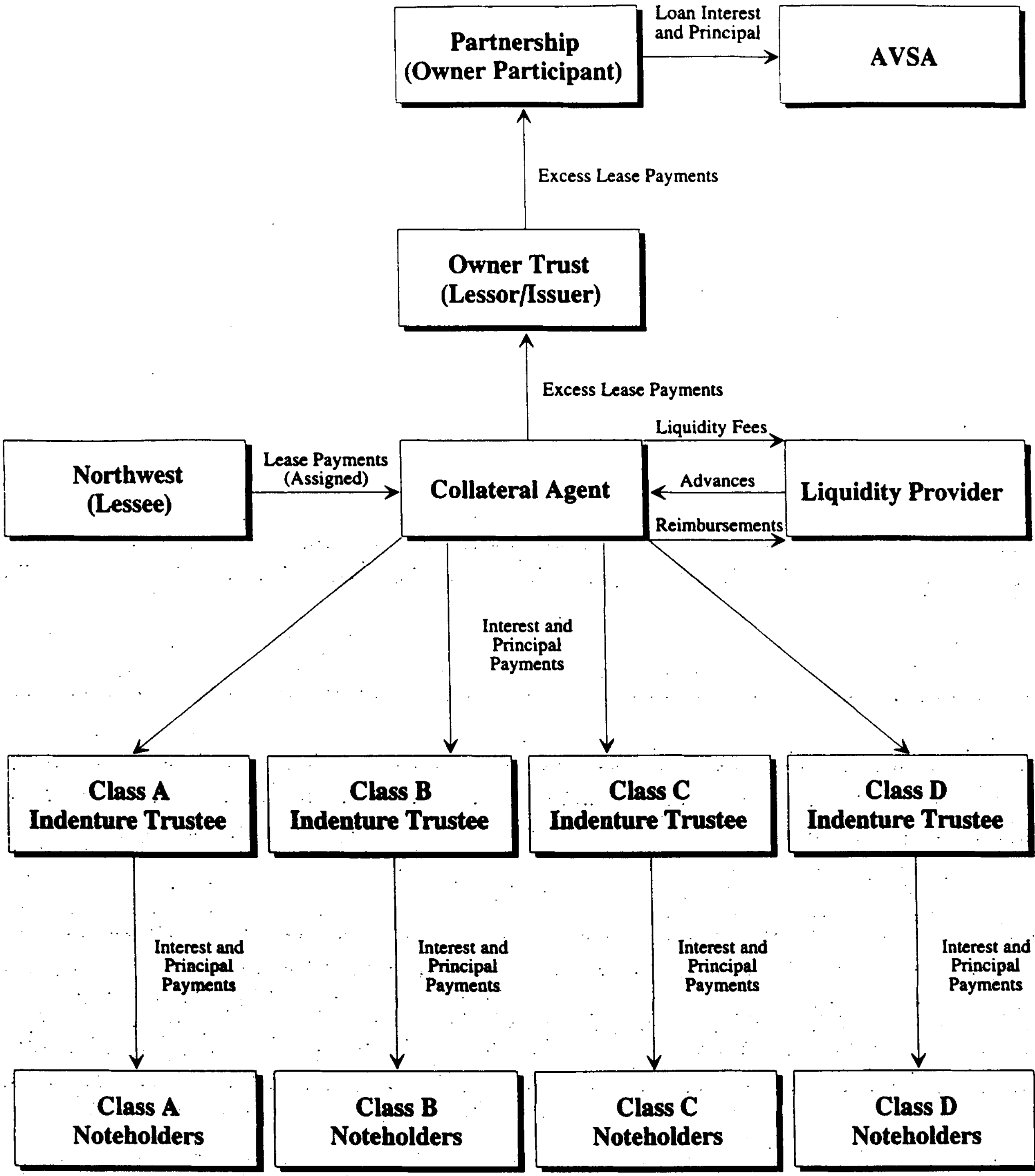
Northwest is obligated to make scheduled semiannual rental payments for each of the Aircraft under the Lease. Pursuant to the Collateral Agreement, Northwest will make these rental payments directly to the Collateral Agent. From these rental payments (as well as from other payments described herein required to be made by Northwest under the Lease) the Collateral Agent will (i) reimburse the Liquidity Provider for its fees and the amount of any advances under the Liquidity Facility (together with interest thereon) and (ii) pay to the Applicable Indenture Trustee for each Class of Notes the interest due and the principal expected to be paid on the Notes. After such payments have been made, subject to certain conditions, the Collateral Agent will release the remaining balance, if any, to the Owner Trustee for the benefit of the Partnership.

Set forth below are diagrams illustrating the transaction structure, including the ownership of certain entities involved, and certain transaction cash flows.

TRANSACTION STRUCTURE



TRANSACTION CASH FLOWS



Summary of Note Terms

	Class A Notes	Class B Notes	Class C Notes	Class D Notes
Class Size	$176,000,000	$66,000,000	$44,000,000	$66,000,000
Ratings:				
S&P	AA−	A−	BBB	BB
Moody's	A3	Baa2	Ba1	Ba3
Fitch	A+	BBB+	BBB	BB−
Initial Loan-To-Value (cumulative)	40%	55%	65%	80%
Payment Window (in years)	.5-18.00	.5-18.00	.5-18.00	12.00
Initial Average Life (in years)	12.04	12.04	12.04	12.00
Payment Dates	June 21 and December 21	June 21 and December 21	June 21 and December 21	June 21 and December 21
Expected Maturity	December 21, 2012	December 21, 2012	December 21, 2012	December 21, 2006
Final Maturity	June 21, 2014	June 21, 2014	June 21, 2014	June 21, 2008
Liquidity Facility Coverage	3 interest payments (at Stated Interest Rate)	3 interest payments (at Stated Interest Rate)	3 interest payments (at Stated Interest Rate)	None

The Aircraft

The Aircraft securing the Notes consist of thirteen Airbus A320-211 aircraft (each together with two CFM 56-5A1 engines). Five of the Aircraft were manufactured in 1992 and the remaining eight were manufactured in 1993.

In order to determine the FMV of the Aircraft, fair market value appraisals of the Aircraft were commissioned by Northwest from the following three independent aircraft appraisal and consulting firms: Aircraft Information Services, Inc. ("AISI"), BK Associates, Inc. ("BK") and Simat, Helliesen & Eichner, Inc. ("SH&E"). See "Investment Considerations — Limitations Regarding Aircraft Collateral" and "Description of the Aircraft and the Appraisals." AISI, BK and SH&E appraised the aggregate fair market value of the Aircraft to be $468,795,000, $440,000,000 and $437,760,000, respectively. The FMV of the Aircraft, $440,000,000, was determined based upon the median of the aggregate for all Aircraft of the desk-top appraisals.

Loan to Value Ratios

The following table sets forth loan to value ratios ("LTV") for each Class of Notes as of the dates specified and is based on the outstanding balance of each such Class, together in each case with the outstanding principal amount of the Notes of all Classes senior to such Class, divided by assumed Aircraft values for each year. The Company does not generally disclose projections of future values. The Company has no obligation and does not intend to prepare updated projections of the loan to value ratios set forth below.

Payment Date	Aircraft Values(1)	Class A Balance	Class B Balance	Class C Balance	Class D Balance	Class A LTV	Class B LTV	Class C LTV	Class D LTV
December 21, 1994	$440,000,000	$176,000,000	$66,000,000	$44,000,000	$66,000,000	40.00%	55.00%	65.00%	80.00%
December 21, 1995	$431,200,000	$171,667,692	$64,375,385	$42,916,923	$66,000,000	39.81%	54.74%	64.69%	80.00%
December 21, 1996	$422,400,000	$167,335,385	$62,750,769	$41,833,846	$66,000,000	39.62%	54.47%	64.38%	80.00%
December 21, 1997	$413,600,000	$163,003,077	$61,126,154	$40,750,769	$66,000,000	39.41%	54.19%	64.04%	80.00%
December 21, 1998	$404,800,000	$158,670,769	$59,501,538	$39,667,692	$66,000,000	39.20%	53.90%	63.70%	80.00%
December 21, 1999	$396,000,000	$154,338,462	$57,876,923	$38,584,615	$66,000,000	38.97%	53.59%	63.33%	80.00%
December 21, 2000	$387,200,000	$147,840,000	$55,440,000	$36,960,000	$66,000,000	38.18%	52.50%	62.05%	79.09%
December 21, 2001	$378,400,000	$141,341,538	$53,003,077	$35,335,385	$66,000,000	37.35%	51.36%	60.70%	78.14%
December 21, 2002	$369,600,000	$134,843,077	$50,566,154	$33,710,769	$66,000,000	36.48%	50.16%	59.29%	77.14%
December 21, 2003	$360,800,000	$128,344,615	$48,129,231	$32,086,154	$66,000,000	35.57%	48.91%	57.80%	76.10%
December 21, 2004	$352,000,000	$120,763,077	$45,286,154	$30,190,769	$66,000,000	34.31%	47.17%	55.75%	74.50%
December 21, 2005	$343,200,000	$112,098,462	$42,036,923	$28,024,615	$66,000,000	32.66%	44.91%	53.08%	72.31%
December 21, 2006	$334,400,000	$103,433,846	$38,787,692	$25,858,462	$ 0	30.93%	42.53%	50.26%	0.00%
December 21, 2007	$325,600,000	$ 88,270,769	$33,101,538	$22,067,692	$ 0	27.11%	37.28%	44.05%	0.00%
December 21, 2008	$308,000,000	$ 73,107,692	$27,415,385	$18,276,923	$ 0	23.74%	32.64%	38.57%	0.00%
December 21, 2009	$290,400,000	$ 57,944,615	$21,729,231	$14,486,154	$ 0	19.95%	27.44%	32.42%	0.00%
December 21, 2010	$272,800,000	$ 42,781,538	$16,043,077	$10,695,385	$ 0	15.68%	21.56%	25.48%	0.00%
December 21, 2011	$255,200,000	$ 21,390,769	$ 8,021,538	$ 5,347,692	$ 0	8.38%	11.53%	13.62%	0.00%
December 21, 2012	$237,600,000	$ 0	$ 0	$ 0	$ 0	0.00%	0.00%	0.00%	0.00%

(1) The value set forth for December 21, 1994 (but not the values for subsequent periods) was determined based upon the median of the aggregate for all Aircraft of the three appraisals described herein (see "Descriptions of the Aircraft and the Appraisals"). No assurance can be given that such value represents the realizable value of any Aircraft. The values for subsequent periods assume that the Aircraft value on December 21, 1994 depreciates by 2% per year until December 21, 2007 and 4% per year from December 21, 2007 through December 21, 2012. No assurance can be given that such depreciation assumptions will reflect the actual depreciation applicable to any Aircraft or the actual future value of any Aircraft.

The Issuer

The issuer of the Notes is the Owner Trust, a trust established under the laws of Delaware pursuant to the Trust Agreement. The sole beneficiary of the Owner Trust is the Partnership. Wilmington Trust Company, not in its individual capacity but solely as trustee, will act as Owner Trustee of the Owner Trust. See "The Owner Participant and the Owner Trust."

The Company

NWA Corp. is the indirect parent company of Northwest. Northwest is the world's fourth largest passenger airline (as measured by 1993 revenue passenger miles ("RPMs")), operating through four primary hubs at Detroit, Minneapolis/St. Paul, Memphis and Tokyo. In 1993 the Company had more than 44 million passenger enplanements and flew over 58 billion RPMs. Northwest is also a major international cargo carrier.

Northwest is the primary carrier at each of its three domestic hubs and in 1993 had a 75%, 64% and 54% share of originating jet passengers in its Minneapolis/St. Paul, Detroit and Memphis hubs respectively. The domestic system serves 43 states, the District of Columbia, Mexico, Canada and the Caribbean.

Northwest has one of the world's largest Pacific route networks with over 450 weekly flights in the Pacific region. Northwest's Pacific operations are concentrated at its Tokyo hub. Northwest operates more flights between the U.S. and Japan than any other U.S. airline and had approximately 25% of the U.S.-Japan market for 1993 (as measured by RPMs). Northwest operates non-stop service from more U.S. cities to Japan than any other U.S. airline and ranks second only to Japan Airlines in the number of landing slots allotted at Tokyo's slot-constrained Narita Airport.

In the transatlantic market, Northwest provides non-stop service to four European cities from Boston, Detroit and/or Minneapolis/St. Paul.

Northwest continues to increase its worldwide presence through a unique strategic alliance with KLM Royal Dutch Airlines ("KLM"). Northwest and KLM together form a global route system serving substantially all major worldwide traffic flows and with Northwest's regional airline partners serve more than 350 cities in over 80 countries on six continents.

NWA Inc., the parent of Northwest, was acquired in 1989 (the "Acquisition") for aggregate consideration of approximately $3.6 billion by NWA Corp., a Delaware corporation formed by Alfred A. Checchi, Gary L. Wilson, Frederic V. Malek, Fosters Brewing Group Ltd. of Australia ("Fosters"), Bankers Trust New York Corporation ("BTNY"), KLM and Richard C. Blum & Associates — NWA Partners, L.P. ("Blum") (together, the "Original Investors") for the purpose of the Acquisition. The Acquisition was financed from the proceeds of the sale of $683 million of common and preferred stock to the Original Investors and $3.1 billion of secured bank debt. The Original Investors beneficially own approximately 51% of the voting equity and approximately 53% of the common equity of the Company. In September 1994 KLM entered into an agreement (the "KLM Agreement") with Fosters to purchase all of Fosters' Northwest holdings; this purchase is expected to be consummated in January 1995.

Strategic Repositioning

Since the Acquisition, the Company's management has instituted a strategic repositioning of the Company designed to improve its overall operating and financial performance. See "Strategic Repositioning". The following are the key elements of this strategy:

- Optimize Northwest's route structure by capitalizing on the strengths of its strategic assets (domestic hubs at Detroit and Minneapolis/St. Paul, the Pacific route network and the KLM alliance) and by reducing its exposure in other markets where it lacks the competitive advantages provided by such strategic assets;
- Improve product quality and customer service to provide convenient, reliable and consistent air transportation;
- Achieve significant reductions in operating costs;
- Improve the Company's relations with its employees through increased employee participation and productivity;
- Rationalize its fleet to better match the anticipated requirements of its route structure and to reduce capital outlays (including refurbishing and hushkitting of its DC-9 fleet to achieve significant cost savings compared to the acquisition of new replacement aircraft);
- Build a new management team composed of experienced airline executives; and
- Upgrade information systems to facilitate more effective management of the airline and to improve customer service.

Significant Financing Activities

In 1992 and 1993, the Company significantly repositioned its debt maturities and preferred stock obligations, lowered its cash labor costs through the negotiation of comprehensive agreements providing for an estimated $886 million of labor cost savings over a three-year period commencing August 1993 (the "labor cost savings agreements") and reduced its capital outlays for new aircraft. See "Significant Financing Activities — Cost Reductions and Maturity Extensions."

In March and April 1994 the Company consummated a public offering (the "Common Stock Offering") of 20,400,000 shares of its Class A common stock for aggregate gross proceeds of $265 million. Further, in March 1994 the Company completed a $243 million aircraft financing and a $175 million receivables financing (collectively, the "March 1994 Financings" and, together with the Common Stock Offering, the "1994 Financings"). A significant portion of the proceeds of the 1994 Financings was applied to reduce the Company's long-term debt maturities. As a result of the repositioning of maturities and the 1994 Financings, the Company's long-term debt maturities were extended and reduced. See "Significant Financing Activities — Total Long-Term Debt".

In order to further improve the Company's financial position and enhance its operating flexibility, in early November 1994 the Company reached an agreement in principle with the steering committee of the Company's bank credit facility (the "Credit Agreement") with respect to an amended and restated credit agreement pursuant to which, among other provisions, (i) replacement term loans, in the aggregate amount of $350 million and maturing in substantially equal installments from 1998 through 2000, will be made to the Company, the proceeds of which will be used to reduce current 1997 scheduled maturities and revolving credit commitments; and (ii) the Excess Cash Flow prepayment requirement will be modified to reduce the mandatory prepayment of debt under the amended and restated credit agreement from 70% of Excess Cash Flow to 70% of the first $200 million of Excess Cash Flow and 30% of Excess Cash Flow in excess of $200 million (subject to an annual cap of $200 million in 1994 and $175 million thereafter). See "Description of Certain Indebtedness — Credit Agreement."

Recent Operating Results

The Company reported net income of $170.0 million and operating income of $359.2 million for the three months ended September 30, 1994, the highest quarterly net income in the Company's history. This compares with net income of $110.7 million and operating income of $268.7 million for the three months ended September 30, 1993. This represented the fifth consecutive quarter in which the Company achieved operating and net profits.

Net income for the first nine months of 1994 was $259.6 million, versus a net loss of $125.8 million for the nine months ended September 30, 1993. Primary earnings per common share after preferred stock requirements were $2.75 ($2.69 fully diluted), compared to a loss of $2.80 per common share (both primary and fully diluted) in 1993.

Operating results improved significantly over 1993 with operating income increasing $469.9 million to $687.5 million for the nine months ended September 30, 1994. A $408.2 million increase in passenger revenue is the primary reason for the improvement in profitability. For further information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Informa… ..ontained herein is subject to completion or amendment. These Secur… . may not be sold nor may offers to buy be accepted without delivery o… ..nal Prospectus Supplement and Prospectus. This Prospectus Supplement and the accompanying Prospectus shall not constitute an offer to sell, or solicitation of an offer to buy, nor shall there be any sale of these Securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the laws of any such state.

Subject to Completion, Dated May 20, 1996

Prospectus Supplement
(To Prospectus dated November 29, 1994)

$459,943,869.53

Navistar Financial 1996-A Owner Trust

$ 92,000,000.00 Class A-1 % Asset Backed Notes

$347,245,000.00 Class A-2 % Asset Backed Notes

$ 20,698,869.53 Asset Backed Certificates

Navistar Financial Retail Receivables Corporation
Seller

Navistar Financial Corporation
Servicer

The Navistar Financial 1996-A Owner Trust (the "Trust" or the "Issuer") will be formed pursuant to a Trust Agreement, to be dated as of May . 1996 (the "Closing Date"), between the Seller and Chemical Bank Delaware, as Owner Trustee, and will issue the % Class A-1 Asset Backed Notes due June 16, 1997 and the % Class A-2 Asset Backed Notes due November 15, 2002 (the "Notes") in the respective aggregate principal amounts set forth above pursuant to an Indenture, to be dated as of the Closing Date, between the Issuer and The Bank of New York, as Indenture Trustee. The Trust will also issue the % Asset Backed Certificates due November 15, 2002 (the "Certificates").

(continued on following page

PROCEEDS OF THE ASSETS OF THE TRUST AND AMOUNTS ON DEPOSIT IN THE RESERVE ACCOUNT ARE THE SOLE SOURCES OF PAYMENTS ON THE SECURITIES. NONE OF THE SECURITIES REPRESENTS AN INTEREST IN OR OBLIGATION OF, OR IS INSURED OR GUARANTEED BY, NAVISTAR FINANCIAL CORPORATION, NAVISTAR FINANCIAL RETAIL RECEIVABLES CORPORATION OR ANY OF THEIR RESPECTIVE AFFILIATES.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to public	Underwriting discount	Proceeds to Seller(1)
Class A-1 Notes	%	%	%
Class A-2 Notes	%	%	%
Certificates (2)	%	%	%
Total	$	$	$

(1) Before deducting expenses, estimated to be $
(2) The Seller will retain ownership of Certificates with an initial Certificate Balance of $207,869.53.

The Securities are offered by the Underwriters, subject to prior sale, when, as and if issued by the Issuer and accepted by the Underwriters, and subject to approval of certain legal matters by counsel for the Underwriters. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that the Securities will be delivered in book-entry form on or about the Closing Date through the facilities of DTC, against payment therefor in immediately available funds.

Underwriters of the Notes

J.P. Morgan & Co.

BA Securities, Inc.

Chase Securities Inc.

CS First Boston

First Chicago Capital Markets, Inc.

NationsBanc Capital Markets, Inc.

Underwriters of the Certificates

J.P. Morgan & Co. **Chase Securities Inc.**

May . 1996.

SUMMARY

The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere herein and in the Prospectus. Certain capitalized terms used in this summary but not otherwise defined in this summary have the meanings assigned such terms elsewhere herein or in the Prospectus. Listings of the pages on which such terms are defined are found in the "Index of Terms" in each of this Prospectus Supplement and the Prospectus.

Issuer	Navistar Financial 1996-A Owner Trust, a Delaware business trust to be formed by the Seller and the Owner Trustee pursuant to the Owner Trust Agreement.
Seller	Navistar Financial Retail Receivables Corporation.
Servicer	Navistar Financial Corporation.
Indenture Trustee	The Bank of New York, as trustee under the Indenture.
Owner Trustee....................................	Chemical Bank Delaware, as trustee under the Owner Trust Agreement.
The Notes	The Trust will issue Notes as follows:
	Class A-1 % Asset Backed Notes (the "**Class A-1 Notes**") in the aggregate principal amount of $92,000,000.00.
	Class A-2 % Asset Backed Notes (the "**Class A-2 Notes**") in the aggregate principal amount of $347,245,000.00.
The Certificates	The Trust will issue Certificates with an aggregate initial Certificate Balance of $20,698,869.53.
The Trust Property	The Trust Property will include a pool of Retail Notes, certain monies due or received thereunder on and after the Cutoff Date, security interests in the vehicles financed thereby, certain accounts and the proceeds thereof, the proceeds, if any, of Dealer Liability, NITC Purchase Obligations and any Guaranties, any proceeds from claims on certain insurance policies, the benefits of any lease assignments and certain rights of the Seller under the related Purchase Agreement and the related Custodian Agreement. The Initial Aggregate Receivables Balance is $459,943,869.53.
Terms of the Notes	The principal terms of the Notes will be as described below:
A. Distribution Dates	Payments of interest and principal on the Notes will be made on each Distribution Date. Payments will be made to Noteholders of record as of the day immediately preceding such Distribution Date (or, if Definitive Certificates are issued, the last day of the preceding Monthly Period).

B. Interest	Interest on the outstanding principal amount of the Notes will accrue at the applicable Interest Rate from the Closing Date or from the most recent Distribution Date on which interest has been paid to but excluding the following Distribution Date. The Interest Rate for each class of Notes is as specified on the cover page of this Prospectus Supplement. Interest on the Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months. See "The Notes—Payments of Interest."
C. Principal	Principal of the Notes will be payable on each Distribution Date in an amount equal to the sum of the Aggregate Noteholders' Principal Distributable Amount for the Monthly Period preceding such Distribution Date to the extent of funds available therefor. The Aggregate Noteholders' Principal Distributable Amount for a Monthly Period will be the Noteholders' Percentage of the Principal Distributable Amount for such Monthly Period and will be calculated by the Servicer as described herein under "The Transfer and Servicing Agreements—Distributions." The Noteholders' Percentage will be 100% for each Distribution Date occurring before the Distribution Date on which the Class A-1 Notes have been paid in full, and generally 95.5% on and after such Distribution Date until all of the Notes have been paid in full. From and after the occurrence of a Certificate Lockout Event, the Noteholders' Percentage will be 100% until all of the Notes have been paid in full. See "The Notes—Payments of Principal." Payments of principal on the Notes will be made on each Distribution Date in the amounts and subject to the priorities described in "The Notes—Payments of Principal." After an Event of Default and acceleration of the Notes, principal payments will be made ratably to all Noteholders. See "The Transfer and Servicing Agreements—Distributions." The unpaid principal balance of a class of Notes will be payable on the Final Scheduled Distribution Date for such class of Notes specified herein.
D. Redemption	If the Servicer exercises its option to purchase the Receivables when the Aggregate Receivables Balance declines to 10% or less of the Initial Aggregate Receivables Balance, the holders of Class A-2

Notes will be redeemed in whole, but not in part, on any Distribution Date at a redemption price equal to the unpaid principal amount of such Notes, plus accrued and unpaid interest thereon. See "The Notes—Redemption."

Terms of the Certificates	The principal terms of the Certificates will be as described below:
A. Distribution Dates	Distributions with respect to the Certificates will be made on each Distribution Date. Distributions will be made to Certificateholders of record as of the day immediately preceding such Distribution Date (or, if Definitive Certificates are issued, the last day of the preceding Monthly Period).
B. Pass Through Rate	% per annum, payable monthly on each Distribution Date at one-twelfth of the annual rate.
C. Interest	On each Distribution Date, the Owner Trustee will distribute pro rata to Certificateholders accrued interest at the Pass Through Rate with respect to the outstanding Certificate Balance. Interest on the Certificates will accrue from the Closing Date or from the most recent Distribution Date on which interest has been paid to but excluding the next Distribution Date (calculated on the basis of a 360-day year of twelve 30-day months).
D. Distributions in Respect of Certificate Balance	On each Distribution Date occurring on and after the Distribution Date on which the Class A-1 Notes have been paid in full, Certificateholders will receive, in respect of the Certificate Balance, an amount equal to the Certificateholders' Principal Distributable Amount for the Monthly Period preceding such Distribution Date, to the extent of funds available therefor. The Certificateholders' Principal Distributable Amount will be the Certificateholders' Percentage (100% minus the Noteholders' Percentage) of the Principal Distributable Amount and will be calculated by the Servicer in the manner described under "The Transfer and Servicing Agreements—Distributions." From and after the occurrence of a Certificate Lockout Event, the Noteholders' Percentage will be 100% until all of the Notes have been paid in full. See "The Transfer and Servicing Agreement—Distributions."
	On and after any Distribution Date on which all of the Notes have been paid in full, funds in the Reserve Account will be applied to reduce the Certificate Balance to zero if, after giving effect to all distributions to the Servicer and the Securityholders on such Distribution Date, the amount on deposit in

the Reserve Account is equal to or greater than the Certificate Balance. See "The Certificates—Distributions of Interest and Certificate Balance."

E. Optional Purchase	If the Servicer exercises its option to purchase the Receivables when the Aggregate Receivables Balance declines to 10% or less of the Initial Aggregate Receivables Balance, the Certificateholders will receive an amount in respect of the Certificates equal to the Certificate Balance together with accrued and unpaid interest at the Pass Through Rate. See "The Certificates—Distributions of Interest and Certificate Balance."
Priority of Distributions	Funds available for payment to the Securityholders will generally be distributed in the following order of priority: (i) interest on the Notes; (ii) interest with respect to the Certificates; (iii) principal on the Notes; and (iv) payments in respect of the Certificate Balance. See "The Transfer and Servicing Agreements—Distributions" and "—Reserve Account." Upon the occurrence of an Event of Default and the acceleration of the Notes under the Indenture, the Notes will be paid in full prior to making any further payments on or with respect to the Certificates.
Reserve Account	The Reserve Account will be created with the Reserve Account Initial Deposit. The Reserve Account will be increased on each Distribution Date by the deposit in the Reserve Account of amounts remaining after payment to the Servicer of the Total Servicing Fee and deposits to the Note Distribution Account and to the Certificate Distribution Account of amounts to be distributed to Securityholders. Amounts in the Reserve Account on any Distribution Date (after giving effect to all distributions to be made to the Servicer and the Securityholders on such Distribution Date) in excess of the Specified Reserve Account Balance for such Distribution Date will be paid to the Seller. Funds will be withdrawn from cash in the Reserve Account on the day preceding each Distribution Date to pay the Total Servicing Fee and to make required distributions on the Securities to the extent funds are not otherwise available, as described herein. See "The Transfer and Servicing Agreements—Distributions" and "—Reserve Account."
Tax Status	In the opinion of Tax Counsel, for federal income tax purposes, the Notes will be characterized as indebtedness, and the Certificates should be characterized as equity interests in a partnership which will not

be taxable as an association or a publicly traded partnership taxable as a corporation. Each Noteholder and Certificateholder, by the acceptance of a Note or Certificate, will agree to treat the Notes as indebtedness and the Certificates as an equity interest in a partnership which will not be taxable as an association or a publicly traded partnership taxable as a corporation for federal, state and local income and franchise tax purposes. See "Certain Federal Income Tax Consequences" herein and in the Prospectus and "Certain State Tax Matters" in the Prospectus for additional information concerning the application of federal and state tax laws.

ERISA Considerations .... Subject to the considerations discussed under "ERISA Considerations" herein and in the Prospectus, the Notes are eligible for purchase by a Benefit Plan.

The Certificates may not be acquired by any Benefit Plan subject to ERISA or by an individual retirement account. See "ERISA Considerations" herein and "ERISA Considerations" in the Prospectus.

Legal Investment .... The Class A-1 Notes will be eligible securities for purchase by money market funds under Rule 2a-7 under the Investment Company Act of 1940, as amended.

Ratings .... As a condition of issuance, the Class A-1 Notes will be rated in the highest rating category for short-term debt obligations by at least two nationally recognized rating agencies, and the Class A-2 Notes will be rated in the highest rating category for long-term debt obligations and the Certificates will be rated in the 'A' category or its equivalent, in each case, by at least one nationally recognized rating agency. There is no assurance that a rating will not be lowered or withdrawn by a rating agency if circumstances so warrant. In the event that the rating initially assigned to any Security is subsequently lowered for any reason, no person or entity will be obligated to provide any additional credit enhancement with respect to such Security.

Since transactions in the Offered Certificates can be effected only through DTC, CEDEL, Euroclear, participating organizations, indirect participants and certain banks, the ability of a Certificate Owner to pledge on Offered Certificate to persons or entities that do not participate in the DTC, CEDEL or Euroclear system or otherwise to take actions in respect of such Certificates, may be limited due to lack of a physical certificate representing the Offered Certificates. See "Description of the Certificates — Registration of Offered Certificates" herein.

Certificate Owners may experience some delay in their receipt of distributions of interest and principal on the Offered Certificates since such distributions will be forwarded by the Trustee to DTC and DTC will credit such distributions to the accounts of its Participants (as defined herein) which will thereafter credit them to the accounts of Certificate Owners either directly or indirectly through indirect participants. See "Description of the Certificates — Registration of Offered Certificates" herein.

THE MORTGAGE LOAN POOL

General

The Mortgage Loans to be transferred by the Depositor to the Trust Fund on August , 1996 (the "Startup Day") will consist of 2,893 closed-end, fixed-rate conventional home equity loans evidenced by promissory notes (the "Mortgage Notes") secured by first- and second-priority mortgages and deeds of trust, security deeds or mortgages, which are located in 47 states and the District of Columbia. The Mortgaged Properties securing the Mortgage Loans consist of single-family residences (which may be detached, part of a two-to-four family dwelling, a condominium unit, a mobile, manufactured or modular home, a townhouse or a unit in a planned unit development). The Mortgaged Properties may be owner-occupied (which includes second and vacation homes) and non-owner occupied investment properties. All Mortgage Loans were originated or purchased after July 3, 1986. Mortgage Loans aggregating 81.6% of the Cut-Off Date Aggregate Loan Balance are secured by first liens on the related properties, and the remaining Mortgage Loans are secured by second liens on the related properties. No Mortgage Loan was more than 30 days delinquent as of the Cut-Off Date.

The Combined Loan-to-Value Ratios shown below were calculated based upon the appraised values of the Mortgaged Properties at the time of origination (the "Appraised Values").

No assurance can be given that values of the Mortgaged Properties have remained or will remain at their levels on the dates of origination of the related Mortgage Loans. If the residential real estate market in general or in any particular area has experienced or should experience an overall decline in property values such that the outstanding balances of the Mortgage Loans, together with the outstanding balances of any first mortgage, become equal to or greater than the value of the Mortgaged Properties, the actual rates of delinquencies, foreclosures and losses could be higher than those now generally experienced in the mortgage lending industry.

No Combined Loan-to-Value Ratio (based upon appraisals made at the time of origination of the related Mortgage Loan) relating to any Mortgage Loan exceeded 100% as of the Cut-Off Date. The Mortgage Loans are not insured by primary mortgage insurance policies, nor does any pool insurance insure the Mortgage Loans; however, certain distributions due to the holders of the Offered Certificates are guaranteed by the Certificate Insurer in accordance with the terms of the Certificate Insurance Policy. See "Certificate Insurer and Certificate Insurance Policy." The Mortgage Loans are not guaranteed by the Depositor, the Seller or any affiliate of the Depositor or the Seller.

As of the Cut-Off Date, the average scheduled Loan Balance of the Mortgage Loans was $54,358.28, the Loan Rates of the Mortgage Loans ranged from 7.5% to 16.8%, the weighted average Combined Loan-to-Value Ratio of the Mortgage Loans was 76%, the weighted average Loan Rate of the Mortgage Loans was 10.55%, and the weighted average remaining term to maturity of the Mortgage Loans was 196 months. The remaining terms to maturity of the Mortgage Loans as of the Cut-Off Date ranged from 0 months to 360 months. The maximum Loan Balance of any Mortgage Loan, as of the Cut-Off Date, was $761,628.14. Mortgage Loans containing Balloon Payments represented 42.7% of the aggregate Loan Balances as of the Cut-Off Date. No Mortgage Loan matures after August 1, 2026. The Trust Fund consists of 2,893 Mortgage Loans as of the Cut-Off Date, of which 1,991 are secured by first mortgages, security deeds or deeds of trust and the remainder are secured by second mortgages, security deeds or deeds of trust. As a percentage of the Cut-Off Date Aggregate Loan Balance, 81.6% were secured by first mortgages or deeds of trust, 94.2% were secured by mortgages, deeds to secure debt or deeds of trust on single-family dwellings, 3.9% were secured by mortgages or deeds of trust on two-to-four family dwellings, 0.77% were secured by mortgages or deeds of trust on condominium units and planned unit developments, 0.50% were secured by mortgages or deeds of trust on mobile homes and 0.65% were secured by mortgages or deeds of trust on other types of dwellings.

The percentages of the Cut-Off Date Aggregate Loan Balance set forth in the following tables may not sum to 100.00% due to rounding.

Geographic Distribution of Mortgaged Properties (1)

The geographic distribution of Mortgaged Properties by state, as of the Cut-Off Date, was as follows:

State	Number of Mortgage Loans	Cut-Off Date Loan Balance	% of Cut-Off Date Aggregate Loan Balance
Alabama	434	$ 14,426,288.02	9.17%
Arizona	21	1,437,587.32	0.91
Arkansas	3	172,275.11	0.11
California	84	4,636,324.45	2.95
Colorado	41	2,833,701.54	1.80
Connecticut	18	2,782,284.34	1.77
Delaware	1	62,362.60	0.04
District of Columbia	2	127,638.58	0.08
Florida	150	8,988,508.33	5.72
Georgia	74	4,425,790.57	2.81
Hawaii	1	59,837.83	0.04
Idaho	5	439,659.52	0.28
Illinois	77	5,290,573.66	3.36
Indiana	167	7,842,728.09	4.99
Iowa	12	872,255.25	0.55
Kansas	22	1,007,068.16	0.64
Kentucky	40	1,577,454.19	1.00
Louisiana	35	1,843,203.05	1.17
Maine	1	24,816.61	0.02
Maryland	22	1,956,157.45	1.24
Massachusetts	64	5,527,654.27	3.52
Michigan	135	7,586,711.95	4.82
Minnesota	62	3,168,957.83	2.02
Mississippi	14	531,555.34	0.34
Missouri	60	3,475,771.31	2.21
Nebraska	58	2,875,384.36	1.83
Nevada	17	690,989.15	0.44
New Hampshire	3	170,770.93	0.11
New Jersey	104	9,882,811.68	6.28
New Mexico	19	1,393,329.99	0.89
New York	120	8,123,480.74	5.17
North Carolina	137	7,041,262.02	4.48
North Dakota	1	43,921.64	0.03
Ohio	258	12,051,005.81	7.66
Oklahoma	13	576,639.14	0.37
Oregon	9	742,238.72	0.47
Pennsylvania	154	8,077,753.92	5.14
Rhode Island	17	1,081,487.52	0.69
South Carolina	62	2,789,606.64	1.77
South Dakota	1	46,291.51	0.03
Tennessee	41	2,110,546.04	1.34
Texas	26	672,655.73	0.43
Utah	87	5,203,932.39	3.31
Virginia	64	3,959,657.94	2.52
Washington	84	4,904,555.96	3.12
West Virginia	2	105,380.07	0.07
Wisconsin	69	3,553,952.19	2.26
Wyoming	2	63,700.00	0.04
Total	2,893	$157,258,519.46	100.00%

(1) Determined by property address designated as such in the related Mortgage.

Combined Loan-to-Value Ratios (1)

Combined Loan-to-Value Ratio	Number of Mortgage Loans	Cut-Off Date Loan Balance	% of Cut-Off Date Aggregate Loan Balance
5.001% — 10.000%	1	$ 16,000.00	0.01%
10.001% — 15.000%	8	166,436.62	0.11
15.001% — 20.000%	11	183,792.30	0.12
20.001% — 25.000%	21	453,983.25	0.29
25.001% — 30.000%	28	860,700.49	0.55
30.001% — 35.000%	24	709,638.24	0.45
35.001% — 40.000%	27	678,823.70	0.43
40.001% — 45.000%	54	2,324,168.23	1.48
45.001% — 50.000%	72	2,666,189.05	1.70
50.001% — 55.000%	66	2,903,312.55	1.85
55.001% — 60.000%	126	5,616,431.89	3.57
60.001% — 65.000%	174	7,986,067.31	5.08
65.001% — 70.000%	309	14,006,564.34	8.91
70.001% — 75.000%	344	17,704,550.14	11.26
75.001% — 80.000%	793	47,666,279.87	30.31
80.001% — 85.000%	596	40,827,496.36	25.96
85.001% — 90.000%	192	10,672,298.40	6.79
90.001% — 95.000%	20	755,605.30	0.48
95.001% — 100.000%	27	1,060,181.42	0.67
Total	2,893	$157,258,519.46	100.00%

(1) The combined loan-to-value ratios (the "Combined Loan-to-Value Ratios") shown above are equal, with respect to each Mortgage Loan, to (i) the sum of (a) the original principal balance of such Mortgage Loan at the date of origination plus (b) the remaining balance of the senior lien(s), if any, at the date of origination of such Mortgage Loan divided by (ii) the lesser of (a) the value of the related Mortgaged Property, based upon the appraisal made at the time of origination of such Mortgage Loan or (b) the purchase price of such Mortgaged Property if the Mortgage Loan proceeds from such Mortgage Loan are used to purchase such Mortgage Property.

Loan Rates

The Loan Rates borne by the Mortgage Notes relating to the Mortgage Loans were distributed as follows as of the Cut-Off Date:

Loan Rates	Number of Mortgage Loans	Cut-Off Date Loan Balance	% of Cut-Off Date Aggregate Loan Balance
7.001% — 7.500%	1	$ 77,261.57	0.05%
7.501% — 8.000%	52	2,582,706.06	1.64
8.001% — 8.500%	122	5,174,952.04	3.29
8.501% — 9.000%	150	7,982,143.10	5.08
9.001% — 9.500%	144	10,899,978.00	6.93
9.501% — 10.000%	542	35,902,601.44	22.83
10.001% — 10.500%	335	20,398,483.08	12.97
10.501% — 11.000%	549	29,550,060.64	18.79
11.001% — 11.500%	285	14,283,942.42	9.08
11.501% — 12.000%	272	12,482,379.50	7.94
12.001% — 12.500%	142	6,986,027.96	4.44
12.501% — 13.000%	126	5,223,808.45	3.32
13.001% — 13.500%	60	2,143,691.77	1.36
13.501% — 14.000%	52	1,671,971.70	1.06
14.001% — 14.500%	18	513,100.87	0.33
14.501% — 15.000%	17	479,878.41	0.31
15.001% — 15.500%	12	420,200.70	0.27
15.501% — 16.000%	9	355,038.51	0.23
16.001% — 16.500%	4	120,293.24	0.08
16.501% — 17.000%	1	10,000.00	0.01
Total	2,893	$157,258,519.46	100.00%

Cut-Off Date Principal Balances

The distribution of the outstanding scheduled principal amounts of the Mortgage Loans as of the Cut-Off Date was as follows:

Range of Cut-Off Date Loan Balances	Number of Mortgage Loans	Cut-Off Date Loan Balance	% of Cut-Off Date Aggregate Loan Balance
$ 0.01 — $ 10,000.00	60	$ 406,797.61	0.26%
$ 10,000.01 — $ 20,000.00	406	6,414,670.14	4.08
$ 20,000.01 — $ 30,000.00	479	12,203,874.12	7.76
$ 30,000.01 — $ 40,000.00	453	15,932,740.35	10.13
$ 40,000.01 — $ 50,000.00	356	16,037,409.22	10.20
$ 50,000.01 — $ 60,000.00	284	15,628,072.50	9.94
$ 60,000.01 — $ 70,000.00	199	12,961,066.80	8.24
$ 70,000.01 — $ 80,000.00	156	11,675,497.26	7.42
$ 80,000.01 — $ 90,000.00	126	10,710,093.42	6.81
$ 90,000.01 — $100,000.00	83	7,913,702.29	5.03
$100,000.01 — $110,000.00	66	6,945,074.42	4.42
$110,000.01 — $120,000.00	48	5,519,968.75	3.51
$120,000.01 — $130,000.00	38	4,778,528.48	3.04
$130,000.01 — $140,000.00	22	2,985,948.57	1.90
$140,000.01 — $150,000.00	16	2,325,282.76	1.48
$150,000.01 — $160,000.00	19	2,960,548.91	1.88
$160,000.01 — $170,000.00	10	1,655,551.14	1.05
$170,000.01 — $180,000.00	7	1,213,890.73	0.77
$180,000.01 — $190,000.00	3	557,687.00	0.35
$190,000.01 — $200,000.00	6	1,181,752.37	0.75
$200,000.01 — $210,000.00	5	1,019,209.17	0.65
$210,000.01 — $220,000.00	5	1,063,540.91	0.68
$220,000.01 — $230,000.00	4	896,385.14	0.57
$230,000.01 — $240,000.00	2	468,668.28	0.30
$240,000.01 — $250,000.00	6	1,478,064.13	0.94
$250,000.01 — $260,000.00	7	1,787,068.30	1.14
$260,000.01 — $270,000.00	1	260,363.40	0.17
$270,000.01 — $280,000.00	1	279,492.73	0.18
$290,000.01 — $300,000.00	2	593,272.68	0.38
$300,000.01 — $310,000.00	2	612,963.19	0.39
$310,000.01 — $320,000.00	2	630,777.55	0.40
$320,000.01 — $330,000.00	2	657,522.83	0.42
$330,000.01 — $340,000.00	1	338,892.38	0.22
$340,000.01 — $350,000.00	3	1,049,063.52	0.67
$380,000.01 — $390,000.00	2	773,555.55	0.49
$400,000.01 — $410,000.00	1	409,802.49	0.26
$410,000.01 — $420,000.00	2	829,424.59	0.53
$430,000.01 — $440,000.00	1	436,884.26	0.28
$440,000.01 — $450,000.00	1	449,560.21	0.29
$450,000.01 — $460,000.00	1	459,752.55	0.29
$490,000.01 — $500,000.00	4	1,994,470.62	1.27
$760,000.01 — $770,000.00	1	761,628.14	0.48
Total	2,893	$157,258,519.46	100.00%

Types of Mortgaged Properties

The Mortgaged Properties securing the Mortgage Loans were of the property types as follows:

Property Type	Number of Mortgage Loans	Cut-Off Date Loan Balance	% of Cut-Off Date Aggregate Loan Balance
Condominium/Planned Unit Development	26	$ 1,217,004.47	0.77%
Other	66	3,525,026.54	2.24
Single Family	2,801	152,516,488.45	96.98
Total	2,893	$157,258,519.46	100.00%

Months Since Origination

The distribution of the number of months since the date of origination of the Mortgage Loans as of the Cut-Off Date wa as follows:

Months Since Origination	Number of Mortgage Loans	Cut-Off Date Loan Balance	% of Cut-Off Date Aggregate Loan Balance
0	843	$ 46,125,085.22	29.33%
1-12	1,585	95,936,937.81	61.01
13-24	80	2,809,221.55	1.79
25-36	182	6,542,503.48	4.16
37-48	108	4,021,506.57	2.56
49-60	32	804,498.97	0.51
61-72	17	370,204.81	0.24
73-84	19	326,435.84	0.21
85-96	5	77,581.65	0.05
97-108	8	153,209.67	0.10
109-120	11	86,482.03	0.05
121-132	3	4,851.86	0.00
Total	2,893	$157,258,519.46	100.00%

Remaining Term to Stated Maturity

The distribution of the number of months remaining to stated maturity of the Mortgage Loans as of the Cut-Off Date was as follows:

Remaining Months to Stated Maturity	Number of Mortgage Loans	Cut-Off Date Loan Balance	% of Cut-Off Date Aggregate Loan Balance
Less than 12	13	$ 345,535.56	0.22%
13 — 24	4	19,849.83	0.01
25 — 36	8	76,430.59	0.05
37 — 48	14	205,755.84	0.13
49 — 60	29	427,844.59	0.27
61 — 72	19	395,641.19	0.25
73 — 84	43	979,861.33	0.62
85 — 96	41	861,398.28	0.55
97 — 108	35	948,432.74	0.60
109 — 120	127	3,229,665.08	2.05
121 — 132	25	737,810.95	0.47
133 — 144	88	3,940,111.12	2.51
145 — 156	136	5,668,513.57	3.60
157 — 168	68	2,623,051.45	1.67
169 — 180	1,576	96,427,679.61	61.32
181 — 192	1	51,747.73	0.03
193 — 204	1	72,091.30	0.05
205 — 216	6	403,684.44	0.26
217 — 228	4	265,785.74	0.17
229 — 240	488	27,178,555.62	17.28
337 — 348	1	72,638.58	0.05
349 — 360	166	12,326,434.32	7.84
Total	2,893	$157,258,519.46	100.00%

Occupancy Type of Mortgaged Property

The Mortgaged Properties securing the Mortgage Loans were used as follows as of the Cut-Off Date:

Occupancy Type	Number of Mortgage Loans	Cut-Off Date Loan Balance	% of Cut-Off Date Aggregate Loan Balance
Non-Owner Occupied	192	$ 7,177,141.80	4.56%
Owner Occupied	2,692	149,632,585.57	95.15
Second Home	9	448,792.09	0.29
Total	2,893	$157,258,519.46	100.00%

Original Term to Stated Maturity

Original Term to Stated Maturity	Number of Mortgage Loans	Cut-Off Date Loan Balance	% of Cut-Off Date Aggregate Loan Balance
1 to 60	23	$ 278,869.40	0.18%
61 to 120	266	5,806,054.74	3.69
121 to 180	1,931	110,564,642.37	70.31
181 to 240	506	28,209,880.05	17.94
301 to 360	167	12,399,072.90	7.88
Total	2,893	$157,258,519.46	100.00%

Delinquency, Loan Loss and Foreclosure Information

The following table sets forth the Seller's delinquency experience, on its entire servicing portfolio of mortgage loans similar to the Mortgage Loans at the dates indicated below. The Seller's portfolio of mortgage loans may differ significantly from the Mortgage Loans included in the Trust Fund in terms of interest rates, principal balances, geographic distribution, Combined Loan-to-Value Ratios and other relevant characteristics. There can be no assurance the delinquency and loss experienced on the Mortgage Loans (most of which have been acquired by the Seller during the past twelve months) will be consistent with the historical information provided below. Such losses and delinquencies on the Mortgage Loans may be higher than the historical information presented below.

The following table sets forth information relating to the delinquency experience of mortgage loans similar to and including the Mortgage Loans for the four quarters ended, September 30, 1995, December 31, 1995, March 31, 1996 and June 30, 1996.

	Quarter Ended							
	June 30, 1996		March 31, 1996		December 31, 1995		September 30, 1995	
	Number of Loans	Dollar Amount	Number of Loans	Dollar Amount	Number of Loans	Dollar Amount	Number of Loans	Dollar Amount
Portfolio	10,619	$501,801,209	8,823	$401,332,214	7,795	$328,292,966	6,741	$272,333,993
Delinquency percentage (1)								
30-59 days	1.48%	1.54%	1.86%	2.05%	3.16%	3.53%	3.60%	3.66%
60-89 days	0.37	0.41	0.42	0.39	0.74	0.79	1.10	1.17
90 days or more	0.50	0.55	0.49	0.55	0.73	0.89	0.89	1.00
Total	2.35%	2.50%	2.77%	2.99%	4.63%	5.21%	5.59%	5.83%
Foreclosures	0.84%	0.84%	0.73%	0.72%	0.45%	0.49%	0.09%	0.08%
Percentage of Net Gains/(Losses) on liquidated loans	0.0%	0.0%	(0.01)%	(0.03)%	0.0%	0.0%	0.0%	0.0%

(1) The period of delinquency is based on the number of days the payment is contractually past due.

The above delinquency experience percentages are calculated on the basis of the total home equity loan portfolio serviced by the Seller at the date indicated, all of which loans were acquired by the Seller. However, because the total amount of loans serviced by the Seller has rapidly increased over these periods as a result of new originations, the total amount of loans serviced as of the end of any indicated period will include many loans that will not have been outstanding long enough to give rise to some or all of the indicated periods of delinquency. Because the Trust Fund consists of a fixed group of Mortgage Loans, the actual delinquency percentages with respect to the Mortgage Loans may differ from the delinquency percentages indicated above.

For the purpose of the tables below, it is assumed that: (i) the Mortgage Loans consist of pools of loans with the level-pay and balloon amortization characteristics set forth below, (ii) the Closing Date for the Class A Certificates is August , 1996, (iii) distributions on the Class A Certificates are made on the 25th day of each month regardless of the day on which the Distribution Date actually occurs, commencing in September, 1996 and are made in accordance with the priorities described herein, (iv) the scheduled monthly payments of principal and interest on the Mortgage Loans wi'' be timely delivered on the first day of each month (with no defaults), commencing in September, 1996, (v) the Mortgage Loans' prepayment rates are a multiple of the Prepayment Assumption, (vi) all prepayments are prepayments in full received on the last day of each month (commencing August, 1996) and include 30 days' interest thereon, (vii) no optional termination is exercised, (viii) the Class A Certificates of each Class have the respective Certificate Rates and initial Class A Principal Balances as set forth herein, and (ix) the overcollateralization levels are set initially as specified in the Pooling and Servicing Agreement, and thereafter decrease in accordance with the provisions of the Pooling and Servicing Agreement.

Amortization Methodology	Loan Balance	Loan Rate	Original Amortization Term (months)	Original Term to Maturity (months)	Remaining Term to Maturity (months)

Subject to the foregoing discussion and assumptions, the following tables indicate the weighted average life of each Class of Class A Certificates, and sets forth the percentages of the initial Class A Principal Balance of each such Class of Class A Certificates that would be outstanding after each of the dates shown at various percentages of Prepayment Assumption.

Percent of Initial Class A Principal Balance Outstanding at the Following Percentages of the Prepayment Assumption

	Class A-1							Class A-2							Class A-3						
Distribution Date	0%	50%	75%	100%	105%	125%	150%	0%	50%	75%	100%	105%	125%	150%	0%	50%	75%	100%	105%	125%	150%

* The weighted average life of a Certificate of any class is determined by (i) multiplying the amount of each distribution in reduction of the related Class A Principal Balance by the number of years from the date of issuance of such Certificate to the related Distribution Date, (ii) adding the results, and (iii) dividing the sum by the highest related Principal Balance of the Certificate.

This table has been prepared based on the assumptions described above (including the assumptions regarding the characteristics and performance of the Mortgage Loans, which differ from the actual characteristics and performance thereof) and should be read in conjunction therewith.

Percent of Initial Note Principal Balance or
Initial Certificate Balance at Various ABS Percentages

	Certificates			
Distribution Date	**0.5%**	**1.0%**	**1.2%**	**1.5%**
Closing Date	100.000	100.000	100.000	100.000
05/15/95	100.000	100.000	100.000	100.000
06/15/95	100.000	100.000	100.000	100.000
07/15/95	100.000	100.000	100.000	100.000
08/15/95	100.000	100.000	100.000	100.000
09/15/95	100.000	100.000	100.000	100.000
10/15/95	100.000	100.000	100.000	100.000
11/15/95	100.000	100.000	100.000	100.000
12/15/95	100.000	100.000	100.000	100.000
01/15/96	100.000	100.000	100.000	100.000
02/15/96	100.000	100.000	100.000	100.000
03/15/96	100.000	100.000	100.000	100.000
04/15/96	100.000	100.000	100.000	100.000
05/15/96	100.000	100.000	100.000	100.000
06/15/96	100.000	100.000	100.000	100.000
07/15/96	100.000	100.000	100.000	100.000
08/15/96	100.000	100.000	100.000	100.000
09/15/96	100.000	100.000	100.000	100.000
10/15/96	100.000	100.000	100.000	100.000
11/15/96	100.000	100.000	100.000	100.000
12/15/96	100.000	100.000	100.000	100.000
01/15/97	100.000	100.000	100.000	100.000
02/15/97	100.000	100.000	100.000	100.000
03/15/97	100.000	100.000	100.000	100.000
04/15/97	100.000	100.000	100.000	100.000
05/15/97	100.000	100.000	100.000	100.000
06/15/97	100.000	100.000	100.000	100.000
07/15/97	100.000	100.000	100.000	100.000
08/15/97	100.000	100.000	100.000	100.000
09/15/97	100.000	100.000	100.000	100.000
10/15/97	100.000	100.000	100.000	100.000
11/15/97	100.000	100.000	100.000	100.000
12/15/97	100.000	100.000	100.000	100.000
01/15/98	100.000	100.000	100.000	100.000
02/15/98	100.000	100.000	100.000	100.000
03/15/98	100.000	100.000	100.000	73.529
04/15/98	100.000	100.000	100.000	45.625
05/15/98	100.000	99.000	69.598	0.000
06/15/98	100.000	56.112	0.000	0.000
07/15/98	43.972	0.000	0.000	0.000
08/15/98	0.000	0.000	0.000	0.000
Weighted Average Life (years)(1)	3.28	3.21	3.14	3.01

(1) The weighted average life of a Certificate is determined by (i) multiplying the amount of each distribution in respect of the Certificate Balance of a Certificate by the number of years from the date of the issuance of the Certificate to the related Distribution Date, (ii) adding the results and (iii) dividing the sum by the original Certificate Balance of the Certificate.

The ABS Table has been prepared based on the assumptions described above (including the assumptions regarding the characteristics and performance of the Receivables which will differ from the actual characteristics and performance thereof) and should be read in conjunction therewith.

Percent of Initial Class A Principal Balance Outstanding at the Following Percentages of the Prepayment Assumption — (Continued)

	Class A-4							Class A-5						
Distribution Date	0%	50%	75%	100%	105%	125%	150%	0%	50%	75%	100%	105%	125%	150%

* The weighted average life of a Certificate of any class is determined by (i) multiplying the amount of each distribution in reduction of the related Class A Principal Balance by the number of years from the date of issuance of such Certificate to the related Distribution Date, (ii) adding the results, and (iii) dividing the sum by the highest related Principal Balance of the Certificate.

This table has been prepared based on the assumptions described above (including the assumptions regarding the characteristics and performance of the Mortgage Loans, which differ from the actual characteristics and performance thereof) and should be read in conjunction therewith.

Payment Delay Feature of Certificates

The effective yield to the Certificateholders of the Class A Certificates will be lower than the yield otherwise produced by the Certificate Rate for each such Class and the purchase price of such Certificates because distributions will not be payable to the Certificateholders until the 25th day of the month following the month of accrual (without any additional distribution of interest or earnings thereon in respect of such delay).

Distributable Excess Spread

The provisions of the Pooling and Servicing Agreement result in a limited acceleration of the Offered Certificates relative to the amortization of the related Mortgage Loans in early months of the transaction. The accelerated amortization is achieved by the application of certain excess interest to the payment of the Class A Principal Balance. This acceleration feature creates overcollateralization which results from the excess of the Aggregate Loan Balance over the Aggregate Class A Principal Balance. Once the required level of overcollateralization is reached, the acceleration feature will cease, unless necessary to maintain the required level of overcollateralization.

The Class A Certificates receive distributions of principal payments (other than Payaheads not intended for application in the related Collection Period) in sequential order, such that all principal payments (other than Payaheads not intended for application in the related Collection Period) are applied first to reduce the principal balance of the Class A-1 Certificates to zero, second to reduce the principal balance of the Class A-2 Certificates to zero and thereafter to the principal balances of the Class A-3, the Class A-4 and the Class A-5 Certificates, in that order until each Class is reduced to zero. Therefore, the Class A-1 Certificates will experience the greatest initial accelerated amortization as a result of the limited acceleration feature of the Offered Certificates.

FORMATION OF THE TRUST FUND AND TRUST PROPERTY

The FURST Home Equity Loan Trust 1996-1 will be created and established pursuant to the Pooling and Servicing Agreement. As of the Closing Date, the Depositor will convey without recourse (subject to certain obligations to repurchase Defective Mortgage Loans or replace Defective Mortgage Loans with Eligible Substitute Mortgage Loans) the Mortgage Loans to the Trust Fund and the Trust Fund will issue (a) the Offered Certificates and (b) the Subordinated Certificates to the Depositor.

The property of the Trust Fund shall include (a) the Mortgage Loans (other than payments in respect of principal and interest due prior to the Cut-Off Date and received thereafter) together with the related Mortgage Loan documents (including any guaranty executed in connection therewith) and the Depositor's interest in any property which secures a Mortgage Loan (the "Mortgaged Property") and all payments thereon and proceeds of the conversion, voluntary or involuntary, of the foregoing, (b) such amounts as may be held in the Distribution Account and the Collection Account, (c) the Certificate Insurance

Percent of Initial Note Principal Balance or
Initial Certificate Balance at Various ABS Percentages

	Class A-1 Notes				Class A-2 Notes			
Distribution Date	**0.5%**	**1.0%**	**1.2%**	**1.5%**	**0.5%**	**1.0%**	**1.2%**	**1.5%**
Closing Date	100.000	100.00	100.000	100.000	100.000	100.000	100.000	100.000
05/15/95	87.054	84.214	82.912	80.740	100.000	100.000	100.000	100.000
06/15/95	78.967	74.305	72.167	68.601	100.000	100.000	100.000	100.000
07/15/95	70.890	64.499	61.565	56.673	100.000	100.000	100.000	100.000
08/15/95	62.869	54.825	51.136	44.983	100.000	100.000	100.000	100.000
09/15/95	54.873	45.270	40.866	33.521	100.000	100.000	100.000	100.000
10/15/95	46.899	35.828	30.751	22.283	100.000	100.000	100.000	100.000
11/15/95	38.966	26.517	20.807	11.284	100.000	100.000	100.000	100.000
12/15/95	31.059	17.324	11.025	0.519	100.000	100.000	100.000	100.000
01/15/96	23.191	8.260	1.413	0.000	100.000	100.000	100.000	85.217
02/15/96	15.356	0.000	0.000	0.000	100.000	99.000	88.138	70.024
03/15/96	7.549	0.000	0.000	0.000	100.000	85.986	74.442	55.189
04/15/96	0.000	0.000	0.000	0.000	99.677	73.163	61.000	40.716
05/15/96	0.000	0.000	0.000	0.000	88.254	60.534	47.817	26.610
06/15/96	0.000	0.000	0.000	0.000	76.883	48.099	34.894	12.873
07/15/96	0.000	0.000	0.000	0.000	65.565	35.861	22.235	0.000
08/15/96	0.000	0.000	0.000	0.000	54.301	23.822	9.841	0.000
09/15/96	0.000	0.000	0.000	0.000	43.091	11.985	0.000	0.000
10/15/96	0.000	0.000	0.000	0.000	31.935	0.351	0.000	0.000
11/15/96	0.000	0.000	0.000	0.000	20.836	0.000	0.000	0.000
12/15/96	0.000	0.000	0.000	0.000	9.793	0.000	0.000	0.000
01/15/97	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
02/15/97	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
03/15/97	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
04/15/97	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
05/15/97	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
06/15/97	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
07/15/97	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
08/15/97	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
09/15/97	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
10/15/97	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
11/15/97	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12/15/97	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
01/15/98	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
02/15/98	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
03/15/98	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
04/15/98	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
05/15/98	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
06/15/98	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
07/15/98	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
08/15/98	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Weighted Average Life (years)(1)	0.51	0.42	0.39	0.34	1.40	1.19	1.11	0.99

(1) The weighted average life of a Class A-1 Note or a Class A-2 Note is determined by (i) multiplying the amount of each principal payment on a Note by the number of years from the date of the issuance of the Note to the related Distribution Date, (ii) adding the results and (iii) dividing the sum by the related initial principal amount of the Note.

The ABS Table has been prepared based on the assumptions described above (including the assumptions regarding the characteristics and performance of the Receivables which will differ from the actual characteristics and performance thereof) and should be read in conjunction therewith.

Percent of Initial Note Principal Balance or Initial Certificate Balance at Various ABS Percentages

	Class A-3 Notes				Class A-4 Notes				Class A-5 Notes			
Distribution Date	**0.5%**	**1.0%**	**1.2%**	**1.5%**	**0.5%**	**1.0%**	**1.2%**	**1.5%**	**0.5%**	**1.0%**	**1.2%**	**1.5%**
Closing Date	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
05/15/95	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
06/15/95	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
07/15/95	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
08/15/95	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
09/15/95	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
10/15/95	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
11/15/95	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
12/15/95	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
01/15/96	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
02/15/96	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
03/15/96	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
04/15/96	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
05/15/96	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
06/15/96	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
07/15/96	100.000	100.000	100.000	99.320	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
08/15/96	100.000	100.000	100.000	81.283	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
09/15/96	100.000	100.000	96.828	63.772	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
10/15/96	100.000	100.000	80.363	46.794	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
11/15/96	100.000	84.614	64.276	30.352	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
12/15/96	100.000	69.026	48.572	14.453	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
01/15/97	98.343	53.727	33.253	0.000	100.000	100.000	100.000	98.881	100.000	100.000	100.000	100.000
02/15/97	83.164	38.720	18.325	0.000	100.000	100.000	100.000	80.429	100.000	100.000	100.000	100.000
03/15/97	68.064	24.008	3.791	0.000	100.000	100.000	100.000	62.673	100.000	100.000	100.000	100.000
04/15/97	53.045	9.594	0.000	0.000	100.000	100.000	87.100	45.620	100.000	100.000	100.000	100.000
05/15/97	38.106	0.000	0.000	0.000	100.000	94.366	69.973	29.278	100.000	100.000	100.000	100.000
06/15/97	23.250	0.000	0.000	0.000	100.000	77.146	53.351	13.654	100.000	100.000	100.000	100.000
07/15/97	8.477	0.000	0.000	0.000	100.000	60.310	37.241	0.000	100.000	100.000	100.000	98.549
08/15/97	0.000	0.000	0.000	0.000	92.255	43.859	21.647	0.000	100.000	100.000	100.000	82.045
09/15/97	0.000	0.000	0.000	0.000	74.044	27.800	6.574	0.000	100.000	100.000	100.000	66.401
10/15/97	0.000	0.000	0.000	0.000	55.940	12.135	0.000	0.000	100.000	100.000	90.713	51.626
11/15/97	0.000	0.000	0.000	0.000	37.944	0.000	0.000	0.000	100.000	96.353	74.386	37.730
12/15/97	0.000	0.000	0.000	0.000	20.057	0.000	0.000	0.000	100.000	79.038	58.685	24.722
01/15/98	0.000	0.000	0.000	0.000	2.281	0.000	0.000	0.000	100.000	62.196	43.616	12.610
02/15/98	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	82.080	45.833	29.186	1.404
03/15/98	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	61.633	29.953	15.401	0.000
04/15/98	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	41.319	14.561	2.268	0.000
05/15/98	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	21.139	0.000	0.000	0.000
06/15/98	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.096	0.000	0.000	0.000
07/15/98	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
08/15/98	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Weighted Average Life (years)(1) . .	2.05	1.81	1.70	1.52	2.56	2.34	2.22	2.02	3.00	2.85	2.76	2.56

(1) The weighted average life of a Class A-3 Note, Class A-4 Note or Class A-5 Note is determined by (i) multiplying the amount of each principal payment on a Note by the number of years from the date of the issuance of the Note to the related Distribution Date, (ii) adding the results and (iii) dividing the sum by the related initial principal amount of the Note.

The ABS Table has been prepared based on the assumptions described above (including the assumptions regarding the characteristics and performance of the Receivables which will differ from the actual characteristics and performance thereof) and should be read in conjunction therewith.