FREMONT GENERAL CORP
Form 10-Q
November 09, 2004

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2004

OR

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

For the Transition period from __________ to __________

COMMISSION FILE NUMBER 1-8007

FREMONT GENERAL CORPORATION
(Exact name of registrant as specified in its charter)

NEVADA	95-2815260
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2425 Olympic Boulevard
Santa Monica, California 90404
(Address of principal executive offices)
(Zip Code)

(310) 315-5500
(Registrant's telephone number, including area code)

2020 Santa Monica Boulevard Santa Monica, CA 90404
(Former Name or Former Address, if Changed Since Last Report)

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock:

SHARES OUTSTANDING

CLASS	OCTOBER 31, 2004
Common Stock, $1.00 par value	77,085,000

FREMONT GENERAL CORPORATION

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FREMONT GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30, 2004 (UNAUDITED) (THOUSANDS OF
ASSETS	
Cash and cash equivalents	$ 1,053,950
Investment securities available for sale at fair value	1,353
Federal Home Loan Bank ("FHLB") stock	103,242
Loans held for sale - net	4,361,420
Loans held for investment - net	3,667,531
Mortgage servicing rights - net	16,328
Residual interests in securitized loans at fair value	17,365
Accrued interest receivable	33,990
Real estate owned - net	28,685
Premises and equipment - net	37,025
Deferred income taxes	129,347
Other assets	68,208
TOTAL ASSETS	$ 9,518,444
LIABILITIES	
Deposits:	
Savings accounts	$ 1,276,812
Money market deposit accounts	493,813
Certificates of deposit	5,480,513
	7,251,138
Warehouse lines of credit	-
FHLB advances	727,000
Senior Notes due 2004	-
Senior Notes due 2009	182,040
Liquid Yield Option Notes due 2013 ("LYONs")	628
Junior Subordinated Debentures / Preferred Securities	103,093
Other liabilities	317,908
TOTAL LIABILITIES	8,581,807
STOCKHOLDERS' EQUITY	
Common stock, par value $1 per share -- Authorized: 150,000,000 shares; Issued and outstanding: (2004 - 77,065,000 and 2003 - 75,990,000)	77,065
Additional paid-in capital	325,822
Retained earnings	578,313
Deferred compensation	(47,349)
Accumulated other comprehensive income	2,786
TOTAL STOCKHOLDERS' EQUITY	936,637
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 9,518,444

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See notes to consolidated financial statements.

FREMONT GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,	
	2004	2003
	(THOUSANDS OF DOLLARS,	
INTEREST INCOME:		
Interest and fee income on loans:		
Residential	$ 86,223	$ 60,019
Commercial	72,405	77,220
Other	111	136
	158,739	137,375
Interest income - other	4,165	1,069
	162,904	138,444
INTEREST EXPENSE:		
Deposits	38,037	30,402
FHLB advances	4,787	7,084
Warehouse lines of credit	501	176
Senior Notes	3,691	4,277
Junior Subordinated Debentures / Preferred Securities	2,320	2,250
Other	64	31
	49,400	44,220
Net interest income	113,504	94,224
Provision for loan losses	(10,309)	29,407
Net interest income after provision for loan losses	123,813	64,817
NON-INTEREST INCOME:		
Net gain (loss) on:		
Whole loan sales and securitizations of residential real estate loans	89,366	83,700
Sale of residual interests in securitized loans	-	-
Whole loan sales of other loans	-	-
Extinguishment of debt	-	-
Loan servicing income	11,712	2,492
Mortgage servicing rights amortization and impairment provision	(3,126)	(294)
Other	2,961	3,618
	100,913	89,516
NON-INTEREST EXPENSE:		
Compensation	50,950	38,731
Occupancy	4,387	2,676

Net real estate owned expenses	1,454	2,950
Other	23,037	15,504
	79,828	59,861
Income before income taxes	144,898	94,472
Income tax expense	59,778	38,979
Net income from continuing operations	85,120	55,493
Discontinued insurance operations in regulatory liquidation, net of tax	-	-
Net income	$ 85,120	$ 55,493
PER SHARE DATA:		
BASIC:		
Net income from continuing operations	$ 1.18	$ 0.79
Discontinued insurance operations in regulatory liquidation, net of tax	-	-
Net income	$ 1.18	$ 0.79
DILUTED:		
Net income from continuing operations	$ 1.15	$ 0.77
Discontinued insurance operations in regulatory liquidation, net of tax	-	-
Net income	$ 1.15	$ 0.77
Cash dividends	$ 0.06	$ 0.04

See notes to consolidated financial statements.

FREMONT GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	NINE MON SEPTEM
	2004
	(THOUSANDS O
OPERATING ACTIVITIES	
Net income from continuing operations	$ 263,161
Adjustments to reconcile net income from continuing operations to net cash provided by operating activities:	
Provision for loan losses	6,236
Sale of residual interests in securitized loans	-
Increase in residual interests in securitized loans	(4,686)
Increase in mortgage servicing rights	(18,440)
Deferred income tax expense	62,204
Depreciation and amortization	19,827
Change in other assets and liabilities	67,412

NET CASH PROVIDED BY OPERATING ACTIVITIES BEFORE LOANS HELD FOR SALE ACTIVITY	395,714
Originations of loans held for sale	(16,448,441)
Proceeds from sales of loans held for sale	16,604,615
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	551,888
INVESTING ACTIVITIES	
Originations and advances funded for loans held for investment	(1,903,907)
Payments received from and sales of loans held for investment	1,941,773
Investment securities available for sale:	
Purchases	(16)
Maturities or repayments	587
Net purchases of FHLB stock	9,345
Cash contributions to discontinued insurance operations	-
Purchases of premises and equipment	(19,109)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	28,673
FINANCING ACTIVITIES	
Deposits accepted, net of repayments	617,972
FHLB repayments, net of advances	(923,000)
Extinguishment of Senior Notes	(29,574)
Dividends paid	(12,068)
Stock options exercised	11,602
(Increase) decrease in deferred compensation plans	(27,194)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(362,262)
Increase in cash and cash equivalents	218,299
Cash and cash equivalents at beginning of period	835,651
Cash and cash equivalents at end of period	$ 1,053,950

See notes to consolidated financial statements.

FREMONT GENERAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ON FORM 10-Q
(UNAUDITED)

NOTE A: BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements include the accounts of Fremont General Corporation ("Fremont General") and its subsidiaries (together the "Company"), including the Company's principal operating subsidiary, Fremont Investment & Loan ("FIL"), a California chartered industrial bank which is engaged in commercial and residential real estate lending on a nationwide basis. All intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the interim financial statements have been included. The operating results for the three and

nine month periods ending September 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

The unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003. Certain prior period amounts have been reclassified to conform to the current period presentation.

NOTE B: LOANS HELD FOR SALE

Loans held for sale consist solely of residential real estate loans (primarily first trust deeds, but also second trust deeds) which are aggregated prior to their sale and are carried at the lower of cost, net of deferred origination fees and costs, or estimated fair value. Estimated fair values are based upon current secondary market prices for loans with similar coupons, maturities and credit quality.

Residential real estate loans have loan terms for up to thirty years and are secured by first deeds of trust on single-family residences. The Company's residential real estate loans held for sale typically have a significant concentration (generally 75% or above) of "hybrid" loans which have a fixed rate of interest for an initial period (generally two years) after origination, after which the interest rate is adjusted to a rate equal to the sum of six-month LIBOR and a margin as set forth in the mortgage note. The interest rate then adjusts at each six-month interval thereafter, subject to various lifetime and periodic rate caps and floors. The loans are generally made to borrowers who do not satisfy all of the credit, documentation and other underwriting standards prescribed by conventional mortgage lenders and loan buyers, such as Fannie Mae and Freddie Mac, and are commonly referred to as "sub-prime" or "non-prime".

A valuation reserve is maintained for certain non-performing loans and other loans held for sale based upon the Company's estimate of inherent losses. Provisions for the valuation reserve are charged against gain on sale of loans. The valuation reserve as a percentage of loans held for sale increased due to the increased amount of loans repurchased during the third quarter of 2004. The following table details the loans held for sale as of the dates indicated (thousands of dollars):

	SEPTEMBER 30, 2004
Loan principal balance:	
1st trust deeds	$ 4,069,089
2nd trust deeds	273,197
	4,342,286
Deferred origination costs, net of loan fees received	60,859
	4,403,145
Less: Valuation reserve	(41,725)

Loans held for sale - net	$ 4,361,420
Loans held for sale on non-accrual status	$ 18,830

Since most of the loans that are held for sale are sold within sixty days, the amount of loans held for sale that are classified as non-accrual or become real estate owned, is generally small. The Company's non-accrual loans held for sale increased during the third quarter of 2004 as a result of the transfer of non-accrual loans within the loans held for investment to held for sale. Loans held for sale may include loans repurchased from whole loan sale transactions and securitizations. In the ordinary course of business, as the loans held for sale are sold, the Company makes standard industry representation and warranties about the loans. The Company may have to subsequently repurchase certain loans due to defects that occurred in the origination of the loan. Such defects are categorized as documentation errors, underwriting errors, or fraud. In addition, the Company is generally required to repurchase loans that experience first payment defaults (and in limited cases, second payment defaults). If there are no such defects or early payment defaults, the Company has no commitment to repurchase loans sold. During the third quarter of 2004, a total of $75.9 million in loans were repurchased by the Company, as compared to $24.8 million in the third quarter of 2003. The Company experienced an increase in loans repurchased during the third quarter of 2004 due to a large amount of repurchases from one certain whole loan investor; the Company does not expect to enter into any future loan sales with this investor and expects loan repurchases in future periods to be more in line with historical trends for similar loans. The Company maintains a reserve for the effect of loans estimated to be repurchased that require a valuation reserve upon repurchase, which is included in other liabilities and totaled $4.7 million and $3.4 million as of September 30, 2004 and December 31, 2003, respectively. Provisions for the repurchase reserve are charged against gain on sale of loans.

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The Company also maintains a reserve for premium recapture that represents the estimate of potential refunds of premiums received on completed loan sales, primarily due to early loan prepayments that may occur under the provisions of the various agreements entered into for the sale of loans held for sale; this reserve totaled $7.1 million and $3.9 million as of September 30, 2004 and December 31, 2003, respectively, and is included in other liabilities. Provisions for the premium recapture reserve are charged against gain on sale of loans.

The following table provides the amounts of loans sold during the respective periods indicated (thousands of dollars):

	THREE MONTHS ENDED SEPTEMBER 30,	
	2004	2003
Loan sales (net of repurchases):		

Whole loan	$ 6,245,154	$ 2,222,260
Securitization	555,814	561,577
	$ 6,800,968	$ 2,783,837

NOTE C: LOANS HELD FOR INVESTMENT

Loans held for investment consist substantially of commercial real estate loans. Commercial real estate loans, which are primarily variable rate (based upon six-month LIBOR and a margin), represent loans secured primarily by first mortgages on properties such as multi-family, office, retail, industrial, lodging and commercial mixed-use properties. The commercial real estate loans are comprised of permanent, bridge and construction loans of relatively short duration (rarely more than five years in length of term and typically shorter, such as two to three years). As of September 30, 2004, the Company had $1.73 billion in unfunded commitments for existing loans and $316.2 million in unfunded commitments for loans not yet booked. Due to the variability in the timing and extent to which these commitments are ultimately funded, these amounts should not generally be used as a basis for predicting future outstanding loan balances. Commercial real estate loans are reported net of participations to other financial institutions or investors in the amount of $108.1 million and $78.3 million as of September 30, 2004 and December 31, 2003, respectively. The Company's commercial real estate loans receivable include mezzanine loans (second mortgage loans, which are subordinate to the senior or first mortgage loans) in the amount of $46.9 million and $36.4 million as of September 30, 2004 and December 31, 2003, respectively. The interest rates charged by the Company on the mezzanine loans are higher than the interest rates on the Company's senior or first mortgage loans as these loans carry the additional risk of being in a subordinated position in

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the borrowing entity's capital structure.

During the third quarter of 2004, the Company reclassified its residential real estate loans held for investment of approximately $910 million into loans held for sale; substantially all of which were sold during the third quarter. As a result, the Company no longer carries any residential real estate loans as held for investment.

The following tables further detail the net loans held for investment as of the dates indicated (thousands of dollars):

	SEPTEMBER	
	COMMERCIAL REAL ESTATE	RESIDENTIAL REAL ESTATE
Loans outstanding	$ 3,993,029	$ -
Participations sold	(108,058)	-

Loans outstanding, net of participations sold	3,884,971	-
Net deferred origination fees and costs	(35,231)	-
Loans outstanding before allowance for loan losses	3,849,740	-
Allowance for loan losses	(188,264)	-
Loans held for investment - net	$ 3,661,476	$ -

	DECEMB	
	COMMERCIAL REAL ESTATE	RESIDENTIAL REAL ESTATE
Loans outstanding	$ 4,093,313	$ 789,951
Participations sold	(78,290)	-
Loans outstanding, net of participations sold	4,015,023	789,951
Net deferred origination fees and costs	(33,101)	7,770
Loans outstanding before allowance for loan losses	3,981,922	797,721
Allowance for loan losses	(195,000)	(15,607)
Loans held for investment - net	$ 3,786,922	$ 782,114

The Company employs a documented and systematic methodology in determining the adequacy of its allowance for loan losses, which assesses the risk of losses inherent in the portfolio, and represents the Company's estimate of probable inherent losses in the loan portfolio as of the date of the financial statements. The allowance for loan losses methodology incorporates management's judgment concerning the effect of recent economic events on portfolio performance. Activity in the allowance for loan losses is

summarized in the following table:

	THREE MONTHS ENDED SEPTEMBER 30,	
	2004	2003
		(THOUSANDS
Balance - beginning of period	$ 214,726	$ 191,105
Provision for loan losses	(10,309)	29,407
Recoveries	435	607
Charge-offs	(5,374)	(14,081)

Charge-offs (fair value adjustment)	(9,856)	-
Balance - end of period	$ 189,622	$ 207,038

For the three and nine month periods ended September 30, 2004, the amount indicated as a fair value adjustment is a result of the transfer of the residential real estate loans held for investment to loans held for sale during the third quarter of 2004.

In addition to its allowance for loan losses, the Company maintains an allowance for unfunded commercial real estate loan commitments on existing loans and, to a lesser degree, loans not yet funded; this allowance totaled $7.1 million and $5.7 million as of September 30, 2004 and December 31, 2003, respectively, and is included in other liabilities.

In cases where a borrower experiences financial difficulties and the Company makes certain concessionary modifications to contractual terms (typically a reduction of the interest rate charged), the loan is classified as a restructured (accruing) loan if the loan is performing in accordance with the agreed upon modified loan terms and projected cash proceeds are deemed sufficient to repay both principal and interest. At September 30, 2004, there were no commercial real estate loans included in accrual status that had been modified during the third quarter of 2004 in connection with debt restructurings. At September 30, 2003, commercial real estate loans totaling $72.4 million were included in accrual status that had been modified during the third quarter of 2003 in connection with debt restructurings.

NOTE D: RESIDUAL INTERESTS IN SECURITIZED LOANS AND MORTGAGE SERVICING RIGHTS

Residual interests in loan securitizations are recorded on each transaction as a result of the sale of residential real estate loans through a securitization transaction and the subsequent issuance of net interest margin securities ("NIMs") to monetize the residual interest from the original securitization transaction. During the first quarter of 2003, the Company sold residual interests, established as a result of

securitizations transacted during 1999, resulting in a pre-tax gain of $17.5 million. The following table reflects the activity of the residual interests in loan securitizations.

	THREE MONTHS ENDED SEPTEMBER 30,	
	2004	2003
	(THOUSANDS O	
Beginning balance at fair value	$ 12,139	$ -
Sale of residual interests from 1999 transactions	-	-
Additions of residual interests	94	2,246
Accretion of interest	856	76

Cash received	-	-
Adjustments to fair value	4,276	-
Ending balance at fair value	$ 17,365	$ 2,322

Loans sold through securitization transactions are sold by the Company on a non-recourse basis to off-balance sheet securitization qualified special purpose entities ("QSPEs"), except for representations and warranties customary within the mortgage banking industry. In a NIM transaction, the certificates representing the residual interest from the original securitization transaction are transferred to a QSPE, which issues interest-bearing asset-backed securities. The net proceeds from the sale of the securities, along with a residual interest certificate that is subordinate to the issued securities, represents the consideration received by the Company. The Company allocates its basis in the underlying mortgage loans to the securities sold, the retained residual interests, including mortgage servicing rights, in proportion to their relative fair values on the date of transfer. The residual interest certificate retained from a NIM transaction is subordinate to the NIM securities issued until the NIM securities are paid in full. The residual interests retained from the NIM transactions are classified as "available-for-sale" securities and are measured at fair value; any unrealized gains or losses, net of deferred taxes, are reported as accumulated other comprehensive income, which is a separate component of stockholders' equity. The Company's only ownership interest from its securitization transactions is reflected in the retained residual interests from the NIM transactions of $17.4 million as detailed below. A summary of the loan principal originally securitized, loan principal outstanding, and residual interests at fair value is as follows:

	AS OF SEPTEMBER 30, 2004 (THOUSANDS OF DOLLARS)
Loan principal originally securitized	$ 3,360,975
Loan principal outstanding	2,827,905
Residual interests at fair value	17,365

The Company determines the estimated fair values of the residuals retained from the NIM transactions by discounting the expected net cash flows to be received utilizing the cash-out method and a 20% discount rate, which management believes is commensurate with the risks involved. The Company uses the forward LIBOR curve for estimating interest rates on adjustable rate loans and utilizes the following other key assumptions to estimate the fair value of its residual interest as of September 30, 2004:

FREMONT HOME LOAN NIM TRUSTS	RANGES OF ASSUMPTIONS UTILIZED AS OF SEPTEMBER 30, 2004

Weighted-average life (years)	1.52 to 1.59
Weighted-average prepayment speed (CPR)	41.3% to 47.0%
Weighted-average coupon	6.74% to 7.61%
Expected cumulative credit losses	4.3% to 4.8%

For each of the above loan securitization transactions, the Company services the underlying loans and receives compensation for doing so. As the servicer for each securitization, the Company is required to make certain reimbursable advances to the securitization QSPE on specific loans it is servicing, to the extent such advances are deemed collectible by the Company from collections related to the individual loan. The total amount outstanding of such servicing advances was $3.8 million and $720,000 at September 30, 2004 and December 31, 2003, respectively, and is included in other assets.

The following table summarizes the activity in the Company's mortgage servicing rights asset as of September 30, 2004 and 2003, respectively. At the time of securitization or sale of loans on a whole loan basis with servicing rights retained, the Company analyzes whether the benefits of servicing are greater than or less than adequate compensation and, as a result, records a mortgage servicing rights asset or liability, respectively. The factors used to estimate the fair value of the mortgage servicing rights improved slightly during the third quarter of 2004, as compared to the second quarter of 2004, and resulted in a recovery of $60,000 made against the valuation allowance for temporary impairment. The estimated fair value of the Company's mortgage servicing rights at September 30, 2004 and 2003 was $16.3 million and $3.1 million, respectively (in thousands of dollars):

	THREE MONTHS ENDED SEPTEMBER 30,	
	2004	2003
Beginning balance	$ 15,209	$ -
Additions from securitization transactions	6,722	3,370
Amortization	(3,186)	(294)
Balance before valuation allowance	18,745	3,076
Valuation allowance for temporary impairment	(2,417)	-
Mortgage servicing rights - net	$ 16,328	$ 3,076

NOTE E: DEBT - FREMONT GENERAL CORPORATION

The debt of Fremont General is detailed in the following table; none of the Fremont General debt is guaranteed by FIL:

	SEPTEMBER 30, 2004
	(THOUSANDS OF DO
Senior Notes due 2004, less discount (2003 - $8)	$ -
Senior Notes due 2009, less discount (2004 - $1,410; 2003 - $1,713)	182,040
Liquid Yield Option Notes due 2013, less discount (2004 - $362; 2003 - $416)	628
Junior Subordinated Debentures / Preferred Securities	103,093
	$ 285,761

In 1996, Fremont General Financing I, a statutory business trust (the "Trust") and consolidated wholly-owned subsidiary of Fremont General, sold $100 million of 9% Trust Originated Preferred SecuritiesSM ("the Preferred Securities") in a public offering. The Preferred Securities represent preferred undivided beneficial interests in the assets of the Trust. The proceeds of $103.1 million related to the sale of the Preferred Securities were invested in 9% Junior Subordinated Debentures of Fremont General ("the Junior Subordinated Debentures"). The Junior Subordinated Debentures are the sole asset of the Trust.

The Company adopted Financial Accounting Standards Board ("FASB") Interpretation No. 46, "Consolidation of Variable Interest Entities," ("FIN 46") for its March 31, 2004 financial statements. Pursuant to FIN 46, the Trust is no longer a part of the Company's consolidated financial statements. The $103.1 million of Junior Subordinated Debentures represents the liability to the Trust. The adoption of FIN 46 had no material impact on the Company's financial position or results of operations.

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NOTE F: DEPOSITS, FHLB ADVANCES AND WAREHOUSE LINES OF CREDIT - FREMONT INVESTMENT & LOAN

FIL utilizes the issuance of deposits, which are insured up to certain limits by the Federal Deposit Insurance Corporation ("FDIC"), Federal Home Loan Bank ("FHLB") advances and warehouse lines of credit in funding its operations.

Certificates of deposit as of September 30, 2004 are detailed by maturity and rates as follows (thousands of dollars, except percents):

AMOUNT	MATURING BY SEPTEMBER 30,	WEIGHTED AVERAGE RATE
$ 5,244,696	2005	2.16%
183,110	2006	4.14%
678	2007	1.94%
2,416	2008	4.97%

49,613	2009	5.82%
$ 5,480,513		2.26%

Of the total certificates of deposit outstanding at September 30, 2004, $1.9 billion were obtained through brokers.

The FHLB advances are collateralized by loans pledged to the FHLB. As of September 30, 2004, a total of $2.82 billion in loans were pledged to the FHLB, primarily residential real estate loans. The following table details the amounts due to the FHLB as of September 30, 2004 by maturities and rates (thousands of dollars, except percents):

AMOUNT	MATURING BY SEPTEMBER 30,	WEIGHTED AVERAGE RATE
$ 338,000	2005	1.78%
389,000	2006	2.03%
$ 727,000		1.92%

During 2003, FIL established three separate warehouse lines of credit to facilitate the funding of residential real estate loans prior to their sale or securitization. The total funding capacity available at September 30, 2004 under the three facilities was $1.5 billion, of which $750 million was committed. There were no amounts outstanding on these facilities at September 30, 2004. Borrowings, if any, under each of the facilities are secured by loans held for sale as pledged by FIL. Each of the facilities is subject to certain conditions, including but not limited to financial and other covenants including the maintenance of certain

capital and liquidity levels. At September 30, 2004, the Company was in compliance with all financial and other covenants related to these facilities.

NOTE G: INCOME TAXES

The major components of income tax expense (benefit) are summarized in the following table:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MO SEP
	2004	2003	2004
	(THOUSANDS OF DOLLARS)		

Federal:			
Current	$ 23,151	$ 5,000	$ 101,512
Deferred	35,089	25,795	56,045
	58,240	30,795	157,557
State:			
Current	(1,848)	9,216	22,763
Deferred	3,386	(1,032)	6,159
	1,538	8,184	28,922
Income tax expense	$ 59,778	$ 38,979	$ 186,479

The deferred income tax balance includes the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and for income tax purposes. The components of the Company's deferred tax assets are summarized in the following table:

	SEPTEMBER 30, 2004	DEC
	(THOUSANDS OF DO	
Deferred tax assets:		
Mark-to-market on loans held for sale	$ 47,947	$
Allowance for loan losses	86,454	
State income and franchise taxes	13,012	
Employee benefit expenses	14,392	
Discontinued operations	-	
Total deferred tax assets	161,805	
Deferred tax liabilities:		
Net deferred loan origination costs	(20,327)	
Originated mortgage servicing rights	(4,499)	
Other, net	(7,632)	
Total deferred tax liabilities	(32,458)	
Net deferred tax asset	$ 129,347	$

In assessing the realization of deferred income tax assets, the Company considers whether it is more likely than not that the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets depends in part upon the generation of future taxable income during the periods in which

temporary differences become deductible. In the Company's opinion, the deferred tax assets will be fully realized and no valuation allowance is necessary as the Company has the ability to generate sufficient future taxable income to realize the tax benefits.

The Company has a contingency reserve of $38.9 million at September 30, 2004 for the expected maximum tax and interest for tax matters that are in the process of resolution. These tax matters primarily relate to the deduction of certain expenses and losses at the holding company. The contingency reserve is included in other liabilities.

NOTE H: DISCONTINUED INSURANCE OPERATIONS IN REGULATORY LIQUIDATION

In December 2002, the Company accrued a charge by setting up a liability for the maximum amount of its potential future cash contributions to its discontinued workers' compensation insurance subsidiary, Fremont Indemnity Company ("Fremont Indemnity"). These future contributions included both mandatory and contingent cash contributions as per the July 2, 2002 Letter Agreement of Run-Off and Regulatory Oversight between the California Department of Insurance, Fremont General and Fremont Indemnity (the "Agreement"). At December 31, 2002, the total amount of these future potential cash

contributions was $79.5 million, payable ratably at $13.25 million annually over a period of six years.

The Insurance Commissioner of the State of California sought, and was granted, an order of conservation over Fremont Indemnity by the Superior Court of the State of California for the County of Los Angeles on June 4, 2003. The conservation order incorporates the Agreement and also provides that nothing in the order is intended to modify any of the provisions of the Agreement. The Insurance Commissioner of the State of California further sought, and was granted, an order of liquidation over Fremont Indemnity by the Superior Court of the State of California for the County of Los Angeles on July 2, 2003. Pursuant to the provisions of the Agreement, the granting of an order of conservation and/or liquidation prior to March 1, 2004 extinguishes the obligation of Fremont General to provide any further cash contributions to Fremont Indemnity and, as a result, during the second quarter of 2003, Fremont General recognized a net of tax gain of $44.3 million from the reversal of this liability for potential future cash contributions to Fremont Indemnity. The gain was based upon the reversal of the total maximum amount of cash contributions of $72.9 million that remained as of June 4, 2003.

NOTE I: COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ACTIVITIES

The Company is a defendant in a number of legal actions arising in the ordinary course of business and from the discontinuance of the insurance operations. Management and its legal counsel are of the opinion that the settlement of these actions, individually or in the aggregate, will not have a material effect on the Company's business, financial position or results of operations.

On June 2, 2004, the State of California Insurance Commissioner John Garamendi, as statutory liquidator of Fremont Indemnity, filed suit in Los Angeles Superior Court against Fremont General alleging improper utilization by Fremont General of certain net operating loss deductions allegedly belonging to its Fremont Indemnity subsidiary. Subsequently, the insurance commissioner

brought a second case against Fremont General alleging similar causes of action on behalf of Comstock Insurance Company, a former indirect subsidiary of Fremont General, which was subsequently merged into Fremont Indemnity, involving net operating loss deductions and transactions with other insurance subsidiaries and affiliates of Fremont Indemnity. These Complaints involve issues that Fremont General considers were resolved in the Agreement between the California Department of Insurance, Fremont Indemnity and Fremont General. The Agreement, dated July 2, 2002, was executed on behalf of the California Department of Insurance by the Honorable Harry Low, the State of California Insurance Commissioner at that time. Fremont General has honored its obligations under the Agreement, and will continue to do so. Fremont General intends to vigorously defend itself and believes that the complaint mischaracterizes the terms of the Agreement and lacks merit.

Both of the above cases are now before the same judge. There has not been any significant progress in this litigation. Management and its legal counsel continue to be of the opinion that these cases are without merit and will not have a material effect on the Company's business, financial position or results of operations.

At September 30, 2004, the Company had a pipeline of loans in process of approximately $1.72 billion in new residential real estate loans, generally subject to the potential borrower meeting the conditions of the loan approval. The Company conditionally quotes interest rates to potential borrowers, which are then subject to adjustment by the Company if any such conditions are not satisfied. Since the Company generally funds the loans at the rates conditionally approved, the quotes are considered to constitute interest rate locks. These interest rate lock commitments, which generally are for 30 days, are treated as derivatives and are carried at their estimated fair value with any changes recorded as a component of gain on sale of residential real estate loans. Fair value is estimated based upon the change in the estimated fair value of the underlying mortgage loans, adjusted for the expected impact of loans not funding within the initial rate lock terms. The change in fair value is measured from the date of the interest rate lock and therefore, at the time of issuance, the value of the interest rate lock is zero. Subsequent to issuance, the interest rate lock value can be positive or negative.

The Company also enters into commitments to sell forward residential real estate loans to third party investors in whole loan sale transactions. As of September 30, 2004, the Company had approximately $2.39 billion in forward sale commitments to sell at variable rates and terms. These forward sale commitments are recorded at estimated fair value and changes in value are reported as a component of gain on sale of residential real estate loans.

The Company also enters into interest rate cap contracts as part of its process of securitizing loans and issuing NIMs. These interest rate cap contracts are recorded at estimated fair value with changes in value, prior to securitization and the issuance of NIMs, reported as a component of gain on sale of residential real estate loans.

As of September 30, 2004, the estimated fair values of the Company's derivatives were as follows (included in other assets or liabilities, as applicable, in the consolidated balance sheets):

	ESTIMATED FAIR VALUE (THOUSANDS OF DOLLARS)
Interest rate cap contract	$ 10,532
Forward sale commitments	833
Interest rate lock commitments	(1,089)
	$ 10,276

At September 30, 2004, the Company had total loan commitments of $2.05 billion related to commercial real estate loans pending funding or advances under existing loan agreements. While commitment amounts are useful for period-to-period comparisons, caution should be used in attempting to use commitments as a basis for predicting future outstanding balances.

NOTE J: INDUSTRIAL BANK REGULATORY CAPITAL

FIL is subject to various regulatory capital requirements under California and Federal regulations. Failure to meet minimum capital requirements can result in regulatory agencies initiating certain mandatory and possibly additional discretionary actions that, if undertaken, could have a direct material effect on the consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, FIL must meet specific capital guidelines that involve quantitative measures of its assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. FIL's capital amounts, requirements and classifications are also subject to qualitative judgments by its regulators about components, risk weightings and other factors. Banking institutions that are experiencing or anticipating significant growth are generally expected to maintain capital ratios above minimum levels.

As of September 30, 2004, FIL's regulatory capital exceeded all minimum requirements to which it is subject and the most recent notification from the FDIC categorized FIL as "well-capitalized". To be categorized as "well-capitalized", the institution must maintain capital ratios as set forth in the following table; the FDIC and FIL, however, have agreed that FIL will maintain a Tier 1 Leverage Ratio of at least 8.5%. There have been no conditions or events since that notification that management believes have changed FIL's categorization as "well-capitalized". As of September 30, 2004, FIL's Tier 1 Leverage Ratio was 12.05%. Management does not anticipate any difficulties in maintaining a Tier 1 Leverage Ratio of at least 8.5%. FIL's actual regulatory amounts and related ratios are detailed in the table below.

Regulatory capital is assessed for adequacy by three measures: Tier 1

Leverage Capital, Tier 1 Risk-Based Capital and Total Risk-Based Capital. FIL's Tier 1 Leverage Capital includes common stockholder's equity, a certain portion of its mortgage servicing rights not includable in regulatory capital and other adjustments. Tier 1 Leverage Capital is measured with respect to average assets during the quarter. The Tier 1 Risk-Based Capital ratio is calculated as a percent of risk-weighted assets at the end of the quarter. FIL's Total Risk-Based Capital includes the allowable amount of its allowance for loan losses (the allowable amount includable is limited to 1.25% of gross risk-weighted assets). The Total Risk-Based Capital ratio is calculated as a percent of risk-weighted assets at the end of the quarter.

	SEPTEMBER 30, 2004		
	MINIMUM REQUIRED (1)	ACTUAL RATIO	ACTUAL AMOUNT
	(THOUSANDS OF DOLLARS, EXCEPT PERCENTS)		
Tier 1 Leverage Capital	5.00%	12.05%	$ 1,130,090
Risk-Based Capital:			
Tier 1	6.00%	16.61%	$ 1,130,090
Total	10.00%	17.90%	$ 1,217,937

	DECEMBER 31, 2003		
	MINIMUM REQUIRED (1)	ACTUAL RATIO	ACTUAL AMOUNT
	(THOUSANDS OF DOLLARS, EXCEPT PERCENTS)		
Tier 1 Leverage Capital	5.00%	9.54%	$ 831,811
Risk-Based Capital:			
Tier 1	6.00%	12.57%	$ 831,811
Total	10.00%	13.85%	$ 916,887

NOTE K: TOTAL COMPREHENSIVE INCOME

The components of total comprehensive income are summarized in the following table:

THREE MONTHS ENDED SEPTEMBER 30,

	2004	2003
		(THOUSANDS O
Net income	$ 85,120	$ 55,493
Other comprehensive income (loss):		
Net change in unrealized gains during the period:		
Residual interests in securitized loans	4,277	-
Investment securities	7	17
	4,284	17
Less deferred income tax expense (benefit)	1,714	7
Other comprehensive income (loss)	2,570	10
Total comprehensive income	$ 87,690	$ 55,503

NOTE L: OPERATIONS BY REPORTABLE SEGMENT

The Company's business is currently engaged in four reportable segments: commercial real estate; residential real estate; syndicated commercial and retail banking. Additionally, there are certain corporate revenues and expenses, comprised primarily of investment income, interest expense and certain general and administrative expenses, that are not allocated to the reportable segments.

The following data for the three and nine months ended September 30, 2004 and 2003 provide certain information related to the reportable segment disclosure. Intersegment eliminations relate to the credit allocated to retail banking for operating funds provided to the other three reportable segments.

	COMMERCIAL REAL ESTATE	RESIDENTIAL REAL ESTATE	SYNDICATED COMMERCIAL	RETAIL BANKING	OT
			(THOUSANDS OF DOLLARS)		
Three months ended September 30, 2004					
Total revenues	$ 74,724	$ 185,697	$ -	$ 43,472	$
Net interest income	49,621	60,933	(48)	5,418	(
Income before income taxes	37,526	130,833	166	-	(2
Three months ended September 30, 2003					
Total revenues	$ 79,277	$ 147,169	$ 49	$ 34,780	$
Net interest income	53,101	42,053	(22)	3,993	(
Income before income taxes	17,565	97,142	(214)	(3)	(2
Nine months ended September 30, 2004					
Total revenues	$ 229,713	$ 631,966	$ 78	$ 124,557	$ 1
Net interest income	152,604	193,307	(82)	16,306	(
Income before income taxes	109,398	412,961	417	-	(7

Nine months ended September 30, 2003					
Total revenues	$ 232,330	$ 393,147	$ 684	$ 108,080	$
Net interest income	149,554	104,816	(202)	12,604	(1
Income before income taxes	43,728	255,648	3,928	(97)	(5

NOTE M: EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	THREE MONTHS ENDED SEPTEMBER 30,	
	2004	2003
	(IN THOUSANDS, EXC	
Net income from continuing operations (numerator for basic earnings per share)	$ 85,120	$ 55,493
Effect of dilutive securities:		
LYONs	4	23
Net income from continuing operations available to common stockholders after assumed conversions (numerator for diluted earnings per share)	$ 85,124	$ 55,516
Weighted-average shares (denominator for basic earnings per share)	72,231	70,301
Effect of dilutive securities using the treasury stock method for restricted stock and stock options:		
Restricted stock	1,489	1,589
LYONs	38	202
Stock options	98	26
Dilutive potential common shares	1,625	1,817
Adjusted weighted-average shares and assumed conversions (denominator for diluted earnings per share)	73,856	72,118
Basic earnings per share from continuing operations	$ 1.18	$ 0.79
Diluted earnings per share from continuing operations	$ 1.15	$ 0.77

NOTE N: NEW ACCOUNTING STANDARDS

On March 9, 2004, the United States Securities and Exchange Commission issued Staff Accounting Bulletin No. 105 "Application of Accounting Principles to Loan Commitments" ("SAB 105"). This bulletin summarizes the views of the staff regarding the application of generally accepted accounting principles to loan commitments accounted for as derivative instruments. The provisions of SAB 105 are applicable to loan commitments accounted for as derivatives and entered into subsequent to April 1, 2004. Under SAB 105, it is determined that an interest rate lock commitment should generally be valued at zero at inception. The rate locks will continue to be adjusted for changes in value resulting from changes in market interest rates. The application of the accounting described in SAB 105 did not have a material impact on the Company's financial position or results of operations as the Company did not recognize any revenue at the inception of the rate lock.

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

This report may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements and the currently reported results are based upon the current expectations and beliefs of Fremont General Corporation ("Fremont") and its subsidiaries (combined "the Company") concerning future developments and their potential effects upon the Company. These statements and the Company's results reported herein are not guarantees of future performance or results and there can be no assurance that actual developments and economic performance will be as anticipated by the Company. Actual developments and/or results may differ significantly and adversely from the Company's expected or currently reported results as a result of significant risks, uncertainties and factors beyond the Company's control (as well as the various assumptions utilized in determining the Company's expectations) which include, but are not limited to, the following:

o the variability of general and specific economic conditions and trends, including changes in, and the level of, interest rates and the ability of the Company to manage the risks applicable to its business operations from changes in interest rates;

o the impact of competition and pricing environments on loan and deposit products and the resulting effect upon the Company's net interest margin and net gain on sale;

o changes in the Company's ability to originate loans, and any changes in the cost and volume of loans originated as a result thereof;

o the ability to access the necessary capital and liquidity resources in a cost-effective manner to fund loan originations, the condition of the whole loan sale and securitization markets and the timing of sales and securitizations;

o the impact upon the liquidity of the Company of its ability to sell or

securitize the residential real estate loans it originates, the pricing of existing and future loans, and the net premiums realized upon the sale of such loans;

- the ability of the Company to sell certain of the commercial real estate loans and foreclosed real estate in its portfolio and the net proceeds realized upon the sale of such;
- the impact of changes in the commercial and residential real estate markets, and changes in the fair values of the Company's assets and loans, including the value of the underlying real estate collateral;
- the ability to collect and realize the amounts outstanding, and the timing thereof, of loans and foreclosed real estate;
- the variability in determining the level of the allowance for loan losses and the fair value of the mortgage servicing rights and residual interests in securitizations;
- the effect of certain determinations or actions taken by, or the inability to secure regulatory approvals from, the Federal Deposit Insurance Corporation, the Department of Financial Institutions of the State of California or other regulatory bodies on various matters;
- the ability of the Company to maintain cash flow sufficient for it to meet its debt service and other obligations;
- the impact and cost of adverse state and federal legislation and regulations, litigation, court decisions and changes in the judicial climate;

- the impact of changes in federal and state tax laws and interpretations, including tax rate changes, and the effect of any adverse outcomes from the resolution of issues with taxing authorities, including the ability to retain the utilization of net tax operating loss carryforwards applied;
- the ability of the Company to maintain an effective system of internal and financial disclosure controls, and to identify and remediate any control deficiencies or material weaknesses in such controls, in particular in meeting the requirements of Section 404 of the Sarbanes-Oxley Act of 2002;
- other events, risks and uncertainties discussed elsewhere in this Form 10-Q and from time to time in Fremont's other reports, press releases and filings with the Securities and Exchange Commission.

The Company undertakes no obligation to publicly update such forward-looking statements.

OVERVIEW

Fremont General Corporation ("Fremont General" or when combined with its subsidiaries "the Company") is a holding company which is engaged in lending operations through its wholly-owned subsidiary, Fremont Investment & Loan

("FIL"). FIL is a California state-chartered industrial bank. Fremont General is not a "bank holding company" as defined for regulatory purposes.

FIL has two primary lending operations, commercial and residential real estate, both of which are done on a nationwide basis. FIL's commercial real estate lending operation includes nine regional offices and, as of September 30, 2004, had loans outstanding in 41 states. The residential real estate lending platform originated loans from 45 states through its five regional loan production centers during the third quarter of 2004. FIL funds its operations primarily through deposit accounts sourced in California that are insured up to the maximum legal limit by the Federal Deposit Insurance Corporation ("FDIC"), and to a lesser extent, advances from the Federal Home Loan Bank of San Francisco ("FHLB"). As such, FIL is regulated by the FDIC and the Department of Financial Institutions of the state of California ("DFI").

FIL's commercial real estate lending operation provides first mortgage financing on various types of income producing properties. The loans that FIL originates are substantially all held for investment, with some loans participated out to reduce credit limit exposures. Loans are originated through broker and borrower relationships and the borrowers are typically mid-size developers and owners seeking a loan structure that provides limited recourse and is short-term, providing bridge or construction financing for comprehensive construction, renovation, repositioning and lease-up of existing or new properties. To manage the credit risk involved in this lending, FIL is focused on the value and quality of the collateral and the quality and experience of the parties with whom it does business. The size of loan commitments originated generally range from $5 million to $50 million, with some loans for larger amounts.

FIL's residential real estate lending operation originates first, and to a lesser degree, second mortgage loans on a wholesale basis through a network of independent mortgage brokers. FIL offers mortgage products that are designed for borrowers who do not generally satisfy the credit, documentation or other underwriting standards prescribed by conventional mortgage lenders, such as Fannie Mae and Freddie Mac and are commonly referred to as "non-prime" or "sub-prime". These borrowers generally have

considerable equity in the properties securing their loans, but have impaired or limited credit profiles or higher debt-to-income ratios than conventional mortgage lenders allow. The borrowers also include individuals who, due to self-employment or other circumstances, have difficulty documenting their income through conventional means. FIL seeks to mitigate its exposure to credit risk through underwriting standards that strive to ensure appropriate loan to collateral valuations. All of the loans that FIL originates are currently either sold in whole loan sales to various financial institutions, or to a lesser extent, securitized and sold to various investors. The Company has retained some of these loans as held for investment in prior periods and may do so again in the future.

The principal market risks the Company faces are interest rate risk, which is the risk that the valuation of the Company's interest sensitive loans and liabilities and its net interest income will change due to changes in interest rates, and liquidity risk, which is the ability of the Company to access the necessary funding and capital resources, in a cost-effective manner, to fund its loan originations or to sell its loans held for sale. The Company endeavors to mitigate interest rate risk by attempting to match the rate reset (or repricing) characteristics of its assets with its liabilities. The Company also utilizes

forward loan sale commitments to provide liquidity and to hedge its residential mortgage loan pipeline and loans held for sale, as well as interest rate caps to hedge execution of its securitization transactions. The objective of our interest rate and liquidity risk management activities is to reduce the risk of operational disruption and to reduce the volatility in income caused by changes in interest rates; however, the mortgage banking industry is inherently subject to income volatility due to the effect of interest rate variations on loan production volume, premiums realized on loan sales and securitizations, and loan pre-payment patterns, which in turn effects the valuation of the Company's residual interests and mortgage servicing rights, as well as the amount of loan servicing income realized.

The Company's two operating lines of business are designed to be somewhat counter-cyclical and to provide balance in varying economic cycles; however, both of the Company's operating businesses are influenced by the overall condition of the economy, in particular the interest rate environment and, as a result, experience cyclicality in volume, loan losses and earnings. The Company strives to manage its operations so as to optimize operational efficiency and to maintain risks within acceptable parameters. The Company's lending operations generate income as follows:

- Commercial real estate loans, which are held for investment, generate net interest income on the difference between the rates charged on the loans and the cost of borrowed funds. An allowance for loan losses is maintained through provisions (expense) that are recognized in the consolidated statements of income.

- All of the residential real estate loans originated are currently sold for varying levels of gain through whole loan sales to other financial institutions, and to a lesser degree, to various investors through securitization transactions. A held for sale valuation reserve, a loan repurchase reserve and a premium recapture reserve are maintained through provisions (expense) that are recognized in the

consolidated statements of income.

This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes thereto presented under Item 1, and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's accounting policies are essential to understanding management's discussion and analysis of financial condition and results of operations. The Company has identified three accounting policies as being critical because they require more significant judgment and estimates about matters that may differ from the estimates determined under different assumptions or conditions. These critical accounting policies relate to the gain on whole loan sales and securitizations, allowance for loan losses and income taxes. The critical accounting policies and estimates are further discussed in the Management's Discussion and Analysis in the Annual Report on Form 10-K for the year ended December 31, 2003.

RESULTS OF OPERATIONS

The Company reported net income from continuing operations of $85,120,000 for the third quarter of 2004. This is compared to net income from continuing operations of $55,493,000 for the third quarter of 2003. For the first nine months of 2004, net income from continuing operations totaled $263,161,000, as compared to $143,856,000 for the first nine months of 2003.

The Company reported income before income taxes of $144,898,000 for the third quarter of 2004 as compared to $94,472,000 for the third quarter of 2003. For the first nine months of 2004, income before income taxes totaled $449,640,000, as compared to $244,883,000 for the first nine months of 2003. The increase in income before income taxes for the third quarter and first nine months of 2004 represents increases of 53% and 84%, respectively, over the results for the third quarter and first nine months of 2003. This is primarily a result of increased levels of net interest income and gain on the sale of residential real estate loans and a lower provision for loan losses, partially offset by an increase in non-interest expense. The increases in the gain on sale of residential real estate loans and non-interest expense are both primarily a result of significantly higher levels of residential real estate loan origination volumes, offset by lower gross premiums realized on the sale of the residential real estate loans.

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NET INTEREST INCOME

The following tables identify the consolidated interest income, interest expense, average interest-earning assets and interest-bearing liabilities, and net interest margins, as well as an analysis of changes in net interest income due to volume and rate changes, for the third quarter and first nine months of 2004 and 2003:

	THREE MONTHS ENDED SEPT		
	2004		
	AVERAGE BALANCE	INTEREST	YIELD/ COST
	(THOUSANDS OF DOLLARS		
Interest-earning assets (1):			
Commercial real estate loans	$ 3,819,339	$ 72,405	7.54%
Residential real estate loans (2)	4,763,213	86,334	7.21%
Syndicated commercial loans	3,075	-	-
Residual interests in securitized loans	19,446	856	17.51%
Cash equivalents and investment securities	711,122	3,309	1.85%
Total interest-earning assets	$ 9,316,195	$ 162,904	6.96%
Interest-bearing liabilities:			
Time deposits	$ 5,325,285	$ 29,000	2.17%
Savings deposits	1,774,230	9,038	2.03%

FHLB advances	931,239	4,787	2.05%
Warehouse lines of credit	-	501	-
Senior notes due 2004	-	-	-
Senior notes due 2009	183,450	3,691	8.05%
LYONs	628	7	4.43%
Junior subordinated debentures/preferred securities	103,093	2,320	9.00%
Other	11,204	56	1.99%
Total interest-bearing liabilities	$ 8,329,129	$ 49,400	2.36%
Net interest income		$ 113,504	
Percent of average interest-earning assets:			
Interest income			6.96%
Interest expense			2.11%
Net interest margin			4.85%

	NINE MONTHS ENDED		
	2004		
	AVERAGE BALANCE	INTEREST	YIELD/ COST
	(THOUSANDS OF DOLLARS		
Interest-earning assets (1):			
Commercial real estate loans	$ 3,921,667	$ 221,796	7.55%
Residential real estate loans (2)	5,158,118	269,622	6.98%
Syndicated commercial loans	4,491	78	2.32%
Residual interests in securitized loans	12,477	2,451	26.24%
Cash equivalents and investment securities	496,492	6,693	1.80%
Total interest-earning assets	$ 9,593,245	500,640	6.97%
Interest-bearing liabilities:			
Time deposits	$ 5,240,056	$ 82,184	2.09%
Savings deposits	1,764,570	25,911	1.96%
FHLB advances	1,435,697	20,535	1.91%
Warehouse lines of credit	-	751	-
Senior notes due 2004	6,291	372	7.88%
Senior notes due 2009	186,943	11,293	8.05%
LYONs	644	24	4.98%
Junior subordinated debentures/preferred securities	103,093	6,959	9.00%

Other	9,282	139	2.00%
Total interest-bearing liabilities	$ 8,746,576	$ 148,168	2.26%
Net interest income		$ 352,472	
Percent of average interest-earning assets:			
Interest income			6.97%
Interest expense			2.06%
Net Interest Margin			4.91%

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	THREE MONTHS ENDED SEPTEMBER 30, 2004 COMPARED TO 2003			NIN
	CHANGE DUE TO			
	VOLUME	RATE	TOTAL	VOLUM
			(THOUSANDS OF DOLLA	
Cash equivalent and investment securities	$ 1,617	$ 699	$ 2,316	$ 2,
Loans				
Commercial real estate	(2,339)	(2,476)	(4,815)	4,
Residential real estate	26,127	78	26,205	125,
Other	741	13	754	1,
Total Loans	24,529	(2,385)	22,144	131,
Total increase / (decrease) in interest income	26,146	(1,686)	24,460	133,
Time deposits	(8,327)	2,620	(5,707)	(24,
Savings deposits	(1,640)	(289)	(1,929)	(6,
FHLB advances	2,249	49	2,298	(5,
Warehouse lines of credit	-	(325)	(325)	
Senior notes due 2004 and 2009	585	-	585	2,
LYONs	33	-	33	
Junior subordinated debentures / preferred securities	(70)	-	(70)	(
Other	(36)	(29)	(65)	
Total increase / (decrease) in interest expense	(7,206)	2,026	(5,180)	(33,

Increase in net interest income	$ 18,940	$ 340	$ 19,280	$ 99,

The Company recorded net interest income for the third quarter of 2004 of $113.5 million as compared to $94.2 million for the third quarter of 2003. For the first nine months of 2004, the Company recorded net interest income of $352.5 million as compared to $251.2 million for the first nine months of 2003. The quarterly and year to date increase in net interest income is primarily a result of an increase in the average interest-earning assets, primarily residential real estate loans. Total average interest-earning assets increased 24% to $9.3 billion during the third quarter of 2004, as compared to $7.5 billion during the third quarter of 2003. The net interest income margin slightly decreased to an annualized 4.85% for the third quarter of 2004 from 4.99% for the third quarter of 2003. Total average interest-earning assets increased 40% to $9.6 billion for the first nine months of 2004, as compared to $6.9 billion during the first nine months of 2003. The net interest income margin also increased slightly to an annualized 4.91% for the first nine months of 2004 from 4.90% for the first nine months of 2003. Net interest income is impacted by the volume, mix and rate of interest-earning assets and interest-bearing liabilities. The decrease in the Company's quarterly net interest margin is due primarily to a higher average liquidity position at FIL during the third quarter of 2004.

PROVISION FOR LOAN LOSSES

The provision for loan losses was reversed (or credited) in the amount of $10.3 million during the third quarter of 2004 as compared to a $29.4 million provision for the third quarter of 2003. As a result, there was also a significant decrease in the provision for loan losses to $6.2 million for the first nine months

of 2004 as compared to $79.9 million for the first nine months of 2003. The reversal in the provision for loan losses during the third quarter was primarily a result of the transfer of the residential real estate loans held for investment to loans held for sale. In addition, the overall decrease in the amount of provision for loan losses in 2004 is attributable to a lower level of net loan charge-offs, non-accrual loans and loans held for investment in its commercial real estate lending operation. Management believes that the allowance for loan losses is adequate to cover the inherent risks within the loans held for investment at September 30, 2004.

NON-INTEREST INCOME

The gain on the sale of residential real estate loans increased from $83.7 million in the third quarter of 2003 to $89.4 million for the third quarter of 2004. For the first nine months of 2004, the gain on the sale of residential real estate loans increased to $338.6 million, as compared to $211.6 million for the first nine months of 2003. This increase is attributable to a significant increase in the volume of loans sold, partially offset by the realization of lower premiums on the loans sold, in the third quarter and first nine months of 2004, as compared to the third quarter and first nine months of 2003. A total of $6.80 billion in loans were sold (including loans sold via securitization) during the third quarter of 2004, as compared to loan sales of $2.78 billion

during the third quarter of 2003. For the first nine months of 2004, a total of $16.60 billion in loans were sold (including loans sold via securitization), as compared to loan sales of $7.31 billion during the first nine months of 2003. The average gross premium on loans sold during the third quarter of 2004 was 3.02% as compared to an average of 4.42% for the third quarter of 2003. For the first nine months of 2004, the average gross premium on loans sold was 3.68% as compared to an average of 4.39% for the first nine months of 2003. Such premiums have exhibited, and are expected to continue to exhibit, variability (often significant) based on various economic and interest rate environments. The gain percentage on these sales decreased from 3.01% in the third quarter of 2003 to 1.32% in the third quarter of 2004. For the first nine months of 2004, the gain percentage on these sales decreased to 2.02%, as compared to 2.89% in the first nine months of 2003.

The following tables provide the amounts of loans sold during the respective periods and additional detail on the gain on sale (thousands of dollars):

	THREE MONTHS ENDED SEPTEMBER 30,	
	2004	2003
Loan sales (net of repurchases):		
Whole loan	$ 6,245,154	$ 2,222,260
Securitization	555,814	561,577
	$ 6,800,968	$ 2,783,837

	THREE MONTHS ENDED SEPTEMBER 30,	
	2004	2003
	(THOUSANDS OF DOLLA	
Gross premium recognized on loan sales and securitizations	$ 204,820	$ 123,116
Premium recapture and reversal	(9,191)	(2,791)
Net premium recognized on loan sales and securitizations	195,629	120,325
Less: Direct costs of loan originations, net of fees received	(90,321)	(38,234)
Adjustments to carrying value of loans held for sale	(9,390)	1,609
Change in fair value of derivative instruments	(6,552)	-

Gain on sale (GAAP)	89,366	83,700
Less: Origination expenses allocated during the period of origination	(53,561)	(21,653)
Net operating gain on sale	$ 35,805	$ 62,047
Gross premium recognized on loan sales and securitizations	3.02 %	4.42 %
Premium recapture and reversal	(0.14)%	(0.10)%
Net premium recognized on loan sales and securitizations	2.88 %	4.32 %
Less: Direct costs of loan originations, net of fees received	(1.32)%	(1.37)%
Adjustments to carrying value of loans held for sale	(0.14)%	0.06 %
Change in fair value of derivative instruments	(0.10)%	0.00 %
Gain on sale (GAAP)	1.32 %	3.01 %
Less: Origination expenses allocated during the period of origination	(0.79)%	(0.78)%
Net operating gain on sale	0.53 %	2.23 %

The Company's loan servicing income, before mortgage servicing rights amortization and impairment provision, increased from $2.5 million in the third quarter of 2003 to $11.7 million for the third quarter of 2004. For the first nine months of 2004 loan servicing income was $25.6 million versus $6.4 million for the first nine months of 2003. This increase was due to the significantly larger amount of residential real estate loans being serviced by the Company during 2004. The total amount of loans being serviced were $14.9 billion and $6.6 billion as of September 30, 2004, and 2003, respectively.

NON-INTEREST EXPENSE

Non-interest expense increased during the third quarter and first nine months of 2004, as compared to the third quarter and first nine months of 2003. Compensation expense for the third quarter and first nine months of 2004 represented most of the change as it increased to $51.0 million for the third quarter of 2004 from $38.7 million in the third quarter of 2003 and to $186.2 million for the first nine months of 2004 from $113.5 million in the first nine months of 2003. Both increases are substantially a result of increased residential real estate loan origination volume (which increased 50% and 84% on a quarter-to-quarter and year-to-year comparative basis, respectively), which was a result, primarily, of increased staffing to originate and accommodate the higher loan origination volume, and to a lesser degree, an increase in staff to administer the increase in the loan servicing portfolio. To a lesser degree, other personnel and infrastructure costs increased.

INCOME TAXES

Income tax expense of $59.8 million and $39.0 million for the quarters ended September 30, 2004 and 2003, respectively, represents effective tax rates

for both quarters of 41.3% on income before income taxes from continuing operations of $144.9 million and $94.5 million for the same respective periods. For the nine month periods ended September 30, 2004 and 2003, income tax expense was $186.5 million and $101.0 million, respectively. This represents effective tax rates of 41.5% and 41.2%, respectively, on income before income taxes from continuing operations of $449.6 million and $244.9 million for the same respective periods. The effective tax rates for all periods presented are different than the federal enacted tax rate of 35%, due mainly to various apportioned state income tax provisions resulting from the Company's nationwide lending operations.

LOANS HELD FOR INVESTMENT AND SALE

The Company's net loans held for investment before the allowance for loan losses, was approximately $3.86 billion at September 30, 2004, as compared to $4.79 billion and $4.65 billion at December 31, 2003 and September 30, 2003, respectively. The Company's residential real estate loans held for sale have increased from $3.10 billion at September 30, 2003 to $4.36 billion at September 30, 2004; this increase is reflective of a significant increase in loan production volume. During the third quarter of 2004, residential real estate loan originations totaled $5.88 billion as compared to $3.92 billion for the third quarter of 2003. During the first nine months of 2004, residential real estate loan originations totaled $16.87 billion as compared to $9.16 billion for the first nine months of 2003.

The following table shows detail for the Company's loans held for investment outstanding as of the dates indicated (in thousands of dollars):

	SEPTEMBER 30, 2004
Commercial real estate loans:	
Bridge	$ 1,830,845
Construction	1,062,676
Permanent	794,956
Single tenant credit	196,494
	3,884,971
Residential real estate loans	-
Syndicated commercial loans	3,013
Other	4,504
	3,892,488
Net deferred loan fees and origination costs	(35,335)
	3,857,153
Allowance for loan losses	(189,622)
Loans held for investment - net	$ 3,667,531

As of September 30, 2004, approximately 36.9% and 14.2% of the Company's commercial real estate loans outstanding were secured by properties located within California and New York, respectively; no other state represented greater than 10% of the loan portfolio. The Company's largest single individual commercial real estate loan outstanding at September 30, 2004 was $71.3 million with a total loan commitment of $84.0 million. The second largest loan, however, is cross-collateralized and cross-defaulted, with another loan that is sponsored by the same investment fund on a related real estate project. The combined loan principal outstanding and total loan commitment of these two loans at September 30, 2004 is $78.3 million and $81.9 million, respectively. The Company's largest net commitment for a single loan at September 30, 2004 was $109.5 million; this represents the maximum potential loan amount to the borrower. In addition, the commercial real estate loan portfolio's largest concentration by common investor or sponsor totaled $111.6 million in loan principal outstanding and $127.4 million in total loan commitment at September 30, 2004, and is comprised of two separate loans, each of which was performing as of September 30, 2004.

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The following table stratifies the commercial real estate loans held for investment by loan amounts outstanding as of September 30, 2004 (in thousands of dollars, except percents and number of loans):

LOAN SIZE RANGE	NUMBER OF LOANS	TOTAL LOANS OUTSTANDING	%
$0 - $1 million	105	$ 20,872	1%
> $1 million - $5 million	149	401,955	10%
> $5 million - $10 million	98	720,395	19%
> $10 million - $15 million	49	604,316	16%
> $15 million - $20 million	22	367,862	9%
> $20 million - $30 million	27	636,481	16%
> $30 million - $40 million	14	499,135	13%
> $40 million - $50 million	6	268,302	7%
> $50 million	6	365,653	9%
	476	$ 3,884,971	100%

The following tables report the non-performing asset classifications, accruing loans past due 90 days or more, loan loss experience and allowance for loan losses reconciliation for the Company's loans held for investment as of, and for, the respective periods ended; the level of non-performing assets fluctuates and individual commercial real estate loans can have a material impact upon the total (thousands of dollars):

SEPTEMBER 30,

	2004
Non-accrual loans held for investment:	
Commercial real estate	$ 64,242
Residential real estate	-
Syndicated commercial loans	2,908
	$ 67,150
Accruing commercial real estate loans past due 90 days or more	$ -
Foreclosed real estate (REO):	
Commercial real estate	$ 27,327
Residential real estate	1,358
	$ 28,685

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	THREE MONTHS ENDED S		
	COMMERCIAL REAL ESTATE	RESIDENTIAL REAL ESTATE	C
Beginning allowance for loan losses	$ 191,518	$ 21,636	$
Provision for loan losses	1,707	(11,766)	
Charge-offs	(5,353)	(21)	
Charge-offs (fair value adjustment)	-	(9,856)	
Recoveries	392	7	
Net Charge-offs	(4,961)	(9,870)	
Ending allowance for loan losses	$ 188,264	$ -	$

	THREE MONTHS ENDED S		
	COMMERCIAL REAL ESTATE	RESIDENTIAL REAL ESTATE	C
Beginning allowance for loan losses	$ 180,013	$ 9,055	$
Provision for loan losses	25,934	3,441	
Charge-offs	(14,000)	(81)	
Recoveries	569	38	
Net Charge-offs	(13,431)	(43)	

Ending allowance for loan losses	$ 192,516	$ 12,453	$

	NINE MONTHS ENDED S		
	COMMERCIAL REAL ESTATE	RESIDENTIAL REAL ESTATE	
Beginning allowance for loan losses	$ 195,000	$ 15,607	
Provision for loan losses	12,255	(5,463)	
Charge-offs	(19,519)	(403)	
Charge-offs (fair value adjustment)	-	(9,856)	
Recoveries	528	115	
Net Charge-offs	(18,991)	(10,144)	
Ending allowance for loan losses	$ 188,264	$ -	

	NINE MONTHS ENDED S		
	COMMERCIAL REAL ESTATE	RESIDENTIAL REAL ESTATE	C
Beginning allowance for loan losses	$ 147,227	$ 7,844	$
Provision for loan losses	79,032	4,823	
Charge-offs	(34,312)	(315)	
Recoveries	569	101	
Net Charge-offs	(33,743)	(214)	
Ending allowance for loan losses	$ 192,516	$ 12,453	$

Non-accrual loans held for investment were $67.2 million as of September 30, 2004. This is 1.74% of the total loans held for investment as of September 30, 2004. This is compared to $87.0 million in total non-accrual loans as of December 31, 2003, which was 1.82% of the total loans held for investment as of that date. As of September 30, 2004, $64.2 million of the total $67.2 million in non-accrual loans were related to the commercial real estate portfolio. The $64.2 million was comprised of 14 non-accrual loans (the largest having a balance of $15.5 million).

Total REO was $28.7 million at September 30, 2004, as compared to $25.5 million at December 31, 2003. Commercial real estate REO at September 30, 2004

was comprised of 11 properties, the largest having a balance of $7.2 million. The Company maintains an allowance for losses on REO, which is detailed as follows (thousands of dollars):

	AS OF SEPTEMBER 30, 2004			AS OF D	
	COMMERCIAL REAL ESTATE	RESIDENTIAL REAL ESTATE	TOTAL	COMMERCIAL REAL ESTATE	R R
REO	$ 27,703	$ 1,488	$ 29,191	$ 26,465	$
Allowance for losses	(376)	(130)	(506)	(2,844)	
REO - net	$ 27,327	$ 1,358	$ 28,685	$ 23,621	$

The allowance for loan losses, as a percentage of total loans held for investment increased to 4.92% as of September 30, 2004, as compared to 4.50% at June 30, 2004. Total net charge-offs in the third quarter of 2004 totaled $14.8 million, as compared to $13.5 million for the third quarter of 2003. The net charge-offs for the third quarter of 2004 were comprised of $9.9 million related to the residential real estate portfolio transfer to held for sale, with the remaining balance related to commercial real estate loans. For the third quarter of 2003 the net charge-offs were substantially all related to commercial real estate loans.

During the third quarter of 2004, there were no commercial real estate loans restructured as to their terms and included in accrual status at September 30, 2004. During the third quarter of 2003, there were eight loans that were restructured and included in accrual status.

The following table shows detail for the Company's residential real estate loans held for sale as of the dates indicated:

	SEPTEMBER 30, 2004
	(THOUSANDS OF
Residential real estate loans held for sale:	
Loan principal outstanding:	
First trust deeds	$ 4,069,089
Second trust deeds	273,197
	4,342,286
Deferred origination costs, net of loan fees received	60,859
Valuation reserve	(41,725)

Residential real estate loans held for sale - net	$ 4,361,420
Non-accrual residential real estate loans held for sale ("HFS")	$ 18,830

The increase in residential real estate loans held for sale is a result of significantly increased loan origination volume. The following table details residential real estate loan origination for the respective periods indicated (thousands of dollars):

	THREE MONTHS ENDED SEPTEMBER 30,	
	2004	2003
Loan originations:		
First mortgage	$ 5,515,901	$ 3,728,558
Second mortgage	369,076	186,748
	$ 5,884,977	$ 3,915,306

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONT SEPTEM
	2004	2003	2004
	(THOUSANDS OF DOLLARS, EXCEPT PER		
FIRST MORTGAGES - ORIGINATION:			
TYPE OF PRODUCT:			
Adjustable Rate (2/28)	83.9%	69.0%	78.1%
Adjustable Rate (3/27)	3.7%	2.6%	4.0%
Adjustable Rate (5/25)	1.4%	0.0%	0.5%
Fixed	11.0%	28.4%	17.4%
	100.0%	100.0%	100.0%
PURPOSE:			
Refinance	54.3%	59.1%	57.7%

Purchase	45.7%	40.9%	42.3%
	100.0%	100.0%	100.0%
Average Loan Size	$ 210,515	$ 201,011	$ 209,869
Average FICO Score	614	629	619
Average LTV	80.4%	81.7%	81.0%

FIRST & SECOND MORTGAGES - ORIGINATION:

GEOGRAPHIC DISPERSION:			
California	31.9%	45.2%	35.6%
New York	11.5%	8.8%	11.3%
New Jersey	7.6%	4.1%	6.0%
Florida	7.2%	7.9%	7.6%
Illinois	5.6%	5.1%	5.4%
All other states	36.2%	28.9%	34.1%
	100.0%	100.0%	100.0%

LIQUIDITY AND CAPITAL RESOURCES

FIL finances its lending activities primarily through Federal Deposit Insurance Corporation ("FDIC") insured customer deposits, which totaled $7.3 billion at September 30, 2004. FIL is also eligible for financing through the Federal Home Loan Bank of San Francisco ("FHLB"), for which financing is available to FIL based upon advance rates on certain pledged collateral and at various rates and terms. At September 30, 2004, FIL had borrowing capacity with the FHLB of $2.49 billion, of which $727 million was borrowed and outstanding. The $2.49 billion in borrowing capacity was based upon a total of $2.82 billion in pledged loan collateral at September 30, 2004. FIL's maximum financing availability, based upon its regulatory assets and subject to the amount of collateral pledged and their related advance rates, was approximately $3.6 billion.

As of September 30, 2004, FIL had three separate warehouse lines of credit in place for the funding of residential real estate loans prior to their sale or securitization. The total funding capacity of these three facilities was $1.5 billion at September 30, 2004. Borrowings, if any, under each of the facilities are secured by loans held for sale as pledged by FIL. There were no amounts outstanding at September 30, 2004. The three facilities are summarized as follows:

- $500 million master loan and security facility ($250 million committed) with Greenwich Capital Financial Products expiring in September 2005, interest at one-month LIBOR plus a margin of 0.50%.

- $500 million master repurchase facility ($250 million committed) with Credit Suisse First Boston Mortgage Capital expiring in January 2005, interest at overnight LIBOR plus a margin of 0.50%.

- $500 million master repurchase facility ($250 million committed) with

Goldman Sachs Mortgage Company expiring in December 2004, interest at one-month LIBOR plus a margin of 0.50%.

Each of the facilities is subject to certain conditions, including but not limited to financial and other covenants. At September 30, 2004, FIL was in compliance with all financial and other covenants under these facilities. The Company expects to renew its Credit Suisse First Boston and Goldman Sachs facilities prior to their expiration.

In addition, FIL has a line of credit with the Federal Reserve Bank of San Francisco ("FRB") with a borrowing capacity of $250.5 million at September 30, 2004. There were no amounts outstanding under the line of credit with the FRB at September 30, 2004.

The Company's residential loan disposition strategy is to primarily utilize both whole loan sales and, to a lesser extent, securitizations. The Company attempts to build multiple whole loan sale relationships to achieve diversity and enhance market liquidity. During the first nine months of 2004, the Company had transacted whole loan sales with 22 different financial institutions, the largest institution representing 21.7% of the total whole loan sales volume during this period.

The FDIC has established certain capital and liquidity standards for its member institutions and FIL was in compliance with these standards as of September 30, 2004.

As a holding company, Fremont General pays its operating expenses, interest expense, taxes and stockholders' dividends, and meets its other obligations primarily from its cash on hand and intercompany tax payments from FIL. Dividends of $4.6 million and $2.2 million were paid on Fremont General's common stock in the quarters ending September 30, 2004 and 2003, respectively; however, no assurance can be given that future common stock dividends will be declared.

During 2003, Fremont General had significant net operating loss carryforwards which were used to offset taxable income generated by FIL. As a result, intercompany payments of federal income tax obligations from FIL, which were otherwise payable to taxing authorities, were available for use by Fremont General for general working capital purposes. The last of the net operating loss carryforwards were fully utilized during 2003 and only current operating losses at Fremont General will offset taxable income generated by FIL; as a result, beginning in 2004, Fremont General is expected to pay most of the federal income taxes it receives from FIL to the federal taxing authorities. There exist certain tax matters from prior years that are in various processes of resolution or determination. The matters primarily relate to the deduction of certain expenses and losses at the holding company. A reserve in the amount of $38.9 million exists at September 30, 2004 for the expected maximum tax and interest for these potential exposures; however, the final resolution of these matters, which is expected to take several years, may be for a lesser amount, possibly significantly lower, depending upon various administrative outcomes. Fremont General does not believe that the actual outcomes of these potential exposures will adversely impact its liquidity.

Fremont General has cash and cash equivalents of $142.0 million at September 30, 2004 and no debt maturities until March of 2009.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to market risk resulting primarily from fluctuations in interest rates arising from balance sheet financial instruments such as investments, loans (both held for investment and for sale) and debt. Changes, and the timing thereof, in interest rates will affect the Company's net investment income, loan interest, net gain on sale of residential real estate loans, interest expense and total stockholders' equity. The level of net gain on sale of residential real estate loans is highly dependent upon the level of loan origination volume and the net premium paid by the purchasers of such loans. Both the volume and net premium, in turn, are highly dependent upon changes in, and the level of, interest rates and other economic factors. The Company may experience a decrease in the amount of gain it realizes should significant interest rate increases occur or if other economic factors have a negative impact on the value and volume of the loans the Company originates. The objective of the Company's asset and liability management activities is to provide the highest level of net interest and investment income and to seek cost effective sources of capital, while maintaining acceptable levels of interest rate and liquidity risk. It is not the Company's policy to utilize derivative instruments as a means to speculate on interest rates.

As part of its residential real estate mortgage banking operations, the Company enters into commitments to originate loans ("interest rate lock commitments"), which represent commitments that have been extended by the Company, generally for a period of 30 days, at a stated interest rate to its potential borrowers. Typically, the Company hedges the risk of overall changes in the fair value for its loans held for sale through entering into forward loan sale commitments and interest rate cap contracts. The Company determined that certain of its interest rate lock commitments, forward sales commitments and interest rate cap contracts have met the definition of derivatives under SFAS No. 133, "Accounting for Derivative

Instruments and Hedging Activities"; and records them at their estimated fair value. The Company may in the future utilize other derivative instruments as part of its risk management program.

Quantitative and qualitative disclosures about the Company's market risk are included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003. There have been no material changes in such risks or in the Company's asset and liability management activities during the nine months ended September 30, 2004.

ITEM 4. CONTROLS AND PROCEDURES

As of September 30, 2004, the Company evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. The evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Based on that evaluation, the Company's management, including the CEO and CFO, and its audit committee, have concluded that the Company's disclosure controls and procedures were effective as of September 30, 2004. There have been no changes in the Company's internal controls over financial reporting that occurred in the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

The Company has begun a detailed assessment of its internal and financial

disclosure controls as required by the Sarbanes-Oxley Act of 2002. Although the Company has made this project a top priority, there can be no assurances that any control deficiencies identified and validated will be remediated before the end of the Company's fiscal year or that any remaining unresolved control deficiencies will not rise to the level of significant deficiencies or material weaknesses.

PART II - OTHER INFORMATION

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER PURCHASES OF EQUITY SECURITIES

PERIOD	(a) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED (1)	(b) AVERAGE PRICE PAID PER SHARE (OR UNIT) (1)	(c) TOTAL NUMBER OF SHARES (OR UNI PURCHASED AS PAR OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS
July 1-31, 2004	90,840	$0	
August 1-31, 2004	-	-	
September 1-30, 2004	38,500	$0	
Total	129,340	$0	

ITEM 6: EXHIBITS

EXHIBIT NO.	DESCRIPTION
3.1	Restated Articles of Incorporation of Fremont General Corporation. (Incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q, for the period ended June 30, 1998, Commission File Number 1-8007.)
3.2	Certificate of Amendment of Articles of Incorporation of Fremont

	General Corporation. (Incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K, for the fiscal year ended December 31, 1998, Commission File Number 1-8007.)
3.3(a)	Amended and Restated Bylaws of Fremont General Corporation. (Incorporated by reference to Exhibit 3.3 to the Registrant's Annual Report on Form 10-K, for the fiscal year ended December 31, 1995, Commission File Number 1-8007.)
3.3(b)	Fremont General Corporation Bylaw Amendment Adopted by the Board of Directors on November 30, 2003. (Incorporated by reference to Exhibit 3.3(b) to the Registrant's Annual Report on Form 10-K, for the fiscal year ended December 31, 2003, Commission File Number 1-8007.)
3.3(c)	Fremont General Corporation Bylaw Amendment Adopted by the Board of Directors on March 16, 2004. (Incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q, for the period ended June 30, 2004, Commission File Number 1-8007.)
4.1	Form of Stock Certificate for Common Stock of the Registrant. (Incorporated by reference to Exhibit 4.1 to the Registrant's Annual Report on Form 10-K, for the fiscal year ended December 31, 2000, Commission File Number 1-8007.)

EXHIBIT NO.	DESCRIPTION
4.2	Indenture with respect to Liquid Yield Option Notes Due 2013 between the Registrant and Bankers Trust Company. (Incorporated by reference to Exhibit 4.4 to the Registrant's Registration Statement on Form S-3 filed on October1, 1993, Registration Number 33-68098.)
4.3	Indenture among the Registrant, the Trust and Bank of New York (originated with First Interstate Bank of California), a New York Banking Corporation, as trustee. (Incorporated by reference to Exhibit 4.3 to the Registrant's Annual Report on Form 10-K, for the fiscal year ended December 31, 1995, Commission File Number 1-8007.)
4.4	Amended and Restated Declaration of Trust among the Registrant, the Regular Trustees, The Chase Manhattan Bank (USA), a Delaware banking corporation, as Delaware trustee, and The Chase Manhattan Bank, N.A., a national banking association, as Institutional Trustee. (Incorporated by reference to Exhibit 4.5 to the Registrant's Annual Report on Form 10-K, for the fiscal year ended December 31, 1995, Commission File Number 1-8007.)
4.5	Preferred Securities Guarantee Agreement between the Registrant and The Chase Manhattan Bank, N.A., a national banking association, as Preferred Guarantee Trustee. (Incorporated by reference to Exhibit 4.6 to the Registrant's Annual Report on Form 10-K, for the fiscal year ended December 31, 1995, Commission File Number 1-8007.)

4.6	Common Securities Guarantee Agreement by the Registrant. (Incorporated by reference to Exhibit 4.7 to the Registrant's Annual Report on Form 10-K, for the fiscal year ended December 31, 1995, Commission File Number 1-8007.)
4.7	Form of Preferred Securities. (Included in Exhibit 4.5). (Incorporated by reference to Exhibit 4.8 to the Registrant's Annual Report on Form 10-K, for the fiscal year ended December 31, 1995, Commission File Number 1-8007.)
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

With respect to long-term debt instruments, the Registrant undertakes to provide copies of such agreements upon request by the Commission.

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SIGNATURES

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

FREMONT GENERAL CORPORATION

Date: November 8, 2004 /s/ LOUIS J. RAMPINO

Louis J. Rampino
President and Chief Executive Officer

Date: November 8, 2004 /s/ PATRICK E. LAMB

Patrick E. Lamb
Senior Vice President, Chief Financial Officer and Treasurer
(Principal Accounting Officer)

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