FREMONT GENERAL CORP
Form 10-Q
May 10, 2004

==

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 MARCH 31, 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.)

2020 Santa Monica Blvd.
Santa Monica, California 90404
(Address of principal executive offices)
(Zip Code)

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

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:

CLASS	SHARES OUTSTANDING APRIL 30, 2004
Common Stock, $1.00 par value	77,078,000

FREMONT GENERAL CORPORATION

INDEX

PART I - FINANCIAL INFORMATION

			PAGE NO.
Item	1.	Financial Statements	
		Consolidated Balance Sheets March 31, 2004 (Unaudited) and December 31, 2003	3
		Consolidated Statements of Operations Three Months Ended March 31, 2004 and 2003 (Unaudited) ...	4
		Consolidated Statements of Cash Flows Three Months Ended March 31, 2004 and 2003 (Unaudited) ...	5
		Notes to Consolidated Financial Statements on Form 10-Q (Unaudited)	6
Item	2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item	3.	Quantitative and Qualitative Disclosures About Market Risk	35
Item	4.	Controls and Procedures	36

PART II - OTHER INFORMATION

Items	1-5.	Not applicable	
Item	6.	Exhibits and Reports on Form 8-K	37
Signatures		....	39

FREMONT GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2004 (UNAUDITED) (THOUSANDS OF
ASSETS	
Cash and cash equivalents	$ 911,472
Investment securities available for sale at fair value	1,753
Federal Home Loan Bank ("FHLB") stock	115,410
Loans held for sale - net	3,749,394
Loans held for investment - net	4,733,404
Mortgage servicing rights	11,438
Residual interests in securitized loans at fair value	13,741
Accrued interest receivable	38,853
Real estate owned - net	37,010
Premises and equipment - net	27,973
Deferred income taxes	186,858
Other assets	73,368
TOTAL ASSETS	$ 9,900,674
LIABILITIES	
Deposits:	
Savings accounts	$ 1,315,504
Money market deposit accounts	450,763
Certificates of deposit	5,324,495
	7,090,762
Warehouse lines of credit	-
FHLB advances	1,467,000
Senior Notes due 2004	-
Senior Notes due 2009	189,070
Liquid Yield Option Notes due 2013 ("LYONs")	659
Junior Subordinated Debentures / Preferred Securities	103,093
Other liabilities	298,329
TOTAL LIABILITIES	9,148,913
STOCKHOLDERS' EQUITY	
Common stock, par value $1 per share-- Authorized: 150,000,000 shares; Issued and outstanding: (2004 - 77,077,000 and 2003 - 75,990,000)	77,077
Additional paid-in capital	333,003
Retained earnings	406,925
Deferred compensation	(67,950)
Accumulated other comprehensive income	2,706
TOTAL STOCKHOLDERS' EQUITY	751,761
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 9,900,674

See notes to consolidated financial statements.

3

FREMONT GENERAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	THREE MONTHS E MARCH 31,	
	2004	
	(THOUSANDS OF DO EXCEPT PER SHARE	
INTEREST INCOME:		
Interest and fee income on loans:		
Residential	$ 88,090	$
Commercial	76,304	
Other	109	
	164,503	
Interest income - other	2,204	
	166,707	
INTEREST EXPENSE:		
Deposits	35,034	
FHLB advances	7,417	
Warehouse lines of credit	125	
Senior Notes	4,208	
Junior Subordinated Debentures / Preferred Securities	2,320	
Other	40	
	49,144	
Net interest income	117,563	
Provision for loan losses	16,399	
Net interest income after provision for loan losses	101,164	
NON-INTEREST INCOME:		
Net gain (loss) on:		
Whole loan sales and securitizations of residential real estate loans	122,196	
Sales of real estate owned	(495)	
Sale of residual interests in securitized loans	-	
Whole loan sales of other loans	-	
Extinguishment of debt	-	
Net loan servicing income	5,169	
Other	6,820	
	133,690	
NON-INTEREST EXPENSE:		
Compensation	67,184	
Occupancy	3,508	
Expenses and provision for losses related to real estate owned	2,095	

Other	20,374	
	93,161	
Income before income taxes	141,693	
Income tax expense	59,030	
Net income	$ 82,663	$
PER SHARE DATA:		
NET INCOME:		
Basic	$ 1.16	$
Diluted	1.12	

See notes to consolidated financial statements.

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

	THREE MONTHS MARCH 3
	2004
	(THOUSANDS OF
OPERATING ACTIVITIES	
Net income	$ 82,663
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for loan losses	16,399
Sale of residual interests in securitized loans	-
Increase in residual interests in securitized loans	(3,019)
Increase in mortgage servicing rights	(5,910)
Deferred income tax expense	4,745
Depreciation and amortization	5,619
Change in other assets and liabilities	40,469
NET CASH PROVIDED BY OPERATING ACTIVITIES BEFORE LOANS HELD FOR SALE ACTIVITY	140,966
Originations of loans held for sale	(4,727,644)
Sale of and payments received from loans held for sale	4,627,948
NET CASH PROVIDED BY OPERATING ACTIVITIES	41,270

INVESTING ACTIVITIES	
Originations and advances funded for loans held for investment	(715,809)
Payments received from and sales of loans held for investment	531,470
Investment securities available for sale:	
Purchases	(16)
Maturities or repayments	206
Net (purchases) or sales of FHLB stock	(2,823)
Cash contributions to discontinued insurance operations	-
Purchases of premises and equipment	(5,205)
NET CASH USED IN INVESTING ACTIVITIES	(192,177)
FINANCING ACTIVITIES	
Deposits accepted, net of repayments	457,596
FHLB repayments, net of advances	(183,000)
Extinguishment of Senior Notes	(22,385)
Dividends paid	(3,728)
Stock options exercised	11,602
(Increase) decrease in deferred compensation plans	(33,357)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	226,728
Increase (decrease) in cash and cash equivalents	75,821
Cash and cash equivalents at beginning of period	835,651
Cash and cash equivalents at end of period	$ 911,472

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

These consolidated statements of Fremont General Corporation and subsidiaries (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States and, accordingly, adjustments (consisting of normal accruals) have been made as management considers necessary for fair presentations. The Company's principal operating subsidiary is its industrial bank, Fremont Investment & Loan ("FIL"). For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003. Certain 2003 amounts have been reclassified to conform to the 2004 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 aggregate amortized cost or estimated fair value. Estimated fair values are based upon current market yields

required by investors and recent sales of pools of similar loans. Amortized cost includes the unpaid loan principal balance and the direct costs of origination, less the net amount of fees received from the borrower. The following table details the loans held for sale as of the dates indicated (thousands of dollars):

	MARCH 31, 2004	D
Loan principal balance:		
1st trust deeds	$ 3,575,360	
2nd trust deeds	153,023	
	3,728,383	
Deferred origination costs, net of loan fees received	53,364	
	3,781,747	
Less: Valuation reserve	(32,353)	
Loans held for sale - net	$ 3,749,394	
Loans held for sale on non-accrual status	$ 10,355	

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. Loans held for sale may include loans repurchased from whole loan sale transactions and securitizations. During the quarters ended March 31, 2004 and 2003, the Company repurchased $22.0 million and $47.4 million, respectively, of loans from whole loan sale transactions. 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 first quarter of 2004, a total of $22.0 million in loans were repurchased by the Company, as compared to $47.4 million in the first quarter of 2003. The Company maintains a valuation reserve for potential losses that arise in connection with repurchased loans; this reserve is netted against the total loans held for sale.

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 $9.0 million and $3.9 million as of March 31, 2004 and December 31, 2003, respectively, and is included in other liabilities.

NOTE C: LOANS HELD FOR INVESTMENT

Loans held for investment consist of commercial and residential real estate loans and syndicated commercial 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 office, retail, industrial, lodging, multi-family 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 March 31, 2004, the Company had $1.41 billion in unfunded commitments for existing loans and $152.8 million in unfunded commitments for loans not yet booked. Due to the variability in the timing of the funding of these unfunded commitments, and the extent to which they 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 $103.4 million and $78.3 million as of March 31, 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 $50.7 million and $36.4 million as of March 31, 2004 and December 31, 2003, respectively. The interest rates charged by the Company on mezzanine loans are higher than the interest rates on the Company's senior or first mortgage loans; however, the mezzanine loans do carry the additional risk of a subordinated position in the borrowing entity's capital structure.

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 receivable and 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".

Syndicated commercial loans are variable rate senior commercial loans and are generally secured by substantially all of the assets of the borrower.

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

	MARCH 31,		
	COMMERCIAL REAL ESTATE	RESIDENTIAL REAL ESTATE	C
Loans outstanding	$ 4,030,509	$ 1,038,038	$
Participations sold	(103,420)	-	
Loans outstanding, net of participations sold	3,927,089	1,038,038	
Deferred origination fees and costs	(31,170)	11,062	
Loans before allowance for loan losses	3,895,919	1,049,100	
Allowance for loan losses	(196,547)	(22,150)	
Loans held for investment-net	$ 3,699,372	$ 1,026,950	$

	DECEMBER		
	COMMERCIAL REAL ESTATE	RESIDENTIAL REAL ESTATE	C
Loans outstanding	$ 4,093,313	$ 789,951	$
Participations sold	(78,290)	-	
Loans outstanding, net of participations sold	4,015,023	789,951	
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 and 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. Establishment of the allowance for loan losses involves determining reserves for individual loans that have been deemed to have significant weaknesses, including impaired loans, and for groups of loans that are evaluated collectively. Reviews are performed to set an allowance for loans that have been individually evaluated and identified as loans which have probable losses; these loans are generally larger-balance commercial real estate and syndicated commercial loans, and reserve requirements are attributable to specific

weaknesses evidenced by various factors such as a deterioration in the quality of the collateral securing the loan, payment delinquency or other events of default. Loans that currently exhibit no significant identifiable weaknesses or impairment are evaluated on a collective basis. 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:

	FOR THE PERIODS	
	MARCH 31, 2004	DECEMBER 31, 2003
	(THOUSANDS OF DO	
Balance - beginning of period	$ 213,591	$ 161,190
Provision for loan losses	16,399	98,262
Recoveries	222	874
Charge-offs	(9,396)	(46,735)
Balance - end of period	$ 220,816	$ 213,591

In addition to its allowance for loan losses, the Company maintains an allowance for unfunded loan commitments on existing loans and loans not yet funded; this allowance totaled $5.3 million as of March 31, 2004 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. As of March 31, 2004, commercial real estate loans totaling $9.4 million were included in accrual status that had been modified during the first quarter of 2004 in connection with debt restructurings. At March 31, 2003, commercial real estate loans totaling $9.0 million were included in accrual status that had been modified during the first quarter of 2003 in connection with debt restructurings.

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

Residual interests in loan securitizations are recorded on each transaction as a result of the sale of loans through a securitization transaction and the subsequent issuance of net interest margin securities ("NIMs"). In 1999, the Company securitized $1.41 billion of its residential real estate loans (in three separate transactions and without the utilization of NIMs); the residual interests in loan securitizations from the 1999 transactions were all sold during the first quarter of 2003 resulting in a pre-tax gain of $17.5 million. The following table reflects the activity of the residual interests in loan securitizations.

10

	THREE MONTHS ENDED MARCH 31,	
	2004	2003
	(THOUSANDS OF DOLLARS)	
Beginning balance at fair value	$ 6,530	$ 22,749
Sale of residual interests from 1999 transactions	-	(22,749)
Additions of residual interests	3,019	-
Accretion of interest	646	-
Cash received	-	-
Fair value adjustment	3,546	-
Ending balance at fair value	$ 13,741	$ -

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"). The Company's only ownership interest in the off-balance sheet QSPEs is reflected in the residual interests of $13.7 million as detailed below. A summary of the loans securitized and the related residual interests is as follows:

	MARCH 31, 2004		
	LOAN PRINCIPAL ORIGINALLY SECURITIZED	LOAN PRINCIPAL OUTSTANDING	RESIDUAL INTERESTS AT FAIR VALUE
	(THOUSANDS OF DOLLARS)		
2003-A	$ 561,577	$ 497,939	$ 5,261
2003-B	618,904	586,168	5,405
2004-A	832,633	818,641	3,075
	$ 2,013,114	$ 1,902,748	$ 13,741

The following are the key assumptions utilized by the Company to estimate the fair value of its residual interests in loan securitizations as of March 31,

2004:

	FREMONT HOME LOAN TRU		
	2003-A	2003-B	2
Weighted-average life (years)	1.77	1.80	
Weighted-average prepayment speed (CPR)	38.0%	36.2%	
Expected cumulative credit losses	5.1%	4.8%	
Interest rates on adjustable rate loans	----Forward Libor Curv		
Weighted-average coupon - current	7.4%	7.2%	
Discount rate	20%	20%	

11

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 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 at March 31, 2004 was $1.3 million, although this amount is expected to increase over time.

The following table summarizes the activity in the Company's mortgage servicing rights asset for the first quarter of 2004; there were no mortgage servicing rights in the first quarter of 2003 (in thousands of dollars):

Beginning balance at January 1, 2004	$ 6,898
Additions from securitization transactions	5,910
Amortization	(1,370)
Balance at March 31, 2004	$ 11,438

The estimated fair value of the Company's mortgage servicing rights at March 31, 2004 was $12.2 million.

NOTE E: DEBT - FREMONT GENERAL CORPORATION

The debt of the holding company, Fremont General Corporation ("FGC"), is detailed in the following table; none of the debt of FGC is guaranteed by FIL:

	MARCH 31, 2004
	(THOUSANDS
Senior Notes due 2004, less discount (2003 - $8)	$ -
Senior Notes due 2009, less discount (2004 - $1,630; 2003 - $1,713)	189,070
Liquid Yield Option Notes due 2013, less discount (2004 - $406; 2003 - $416)	659
Junior Subordinated Debentures / Preferred Securities	103,093
	$ 292,822

In 1996, Fremont General Financing I, a statutory business trust (the "Trust") and consolidated wholly-owned subsidiary of Fremont, sold $100 million of 9% Trust Originated Preferred Securities SM ("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 ("the Junior Subordinated Debentures"). The Junior Subordinated Debentures are the sole asset of the Trust.

With the adoption of the Financial Accounting Standards Board ("FASB") Interpretation No. 46, "Consolidation of Variable Interest Entities," ("FIN 46") the Trust has been deconsolidated from the Company's March 31, 2004 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.

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 March 31, 2004 are detailed by maturity and rates as follows (thousands of dollars, except percents):

AMOUNT	MATURING BY MARCH 31,	WEIGHTED AVERAGE RATE
$ 5,060,930	2005	1.93%
177,708	2006	3.53%
33,381	2007	6.08%

2,380	2008	5.02%
35,369	2009	5.57%
14,727	2010	6.27%
$ 5,324,495		2.04%

Of the total certificates of deposit outstanding at March 31, 2004, $2.46 billion were obtained through brokers.

The FHLB advances are collateralized by loans pledged to the FHLB. As of March 31, 2004, a total of $2.78 billion in loans were pledged to the FHLB, primarily residential real estate loans. The following table details the amounts due the FHLB as of March 31, 2004 by maturities and rates (thousands of dollars, except percents):

AMOUNT	MATURING BY MARCH 31,	WEIGHTED AVERAGE RATE
$ 755,000	2005	2.18%
614,000	2006	1.88%
98,000	2007	2.07%
$ 1,467,000		2.04%

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 March 31, 2004 under the three facilities was $1.5 billion, of which $750 million was committed. There were no amounts outstanding at March 31, 2004. Borrowings 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 March 31, 2004, the Company was in compliance with all financial and other covenants.

NOTE G: INCOME TAXES

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

	THREE MONTHS ENDED MARCH 31,	
	2004	2003
	(THOUSANDS OF DOLLARS)	

Federal:		
Current	$ 42,356	$ (4,005)
Deferred	5,684	26,920
	48,040	22,915
State:		
Current	11,929	10,637
Deferred	(939)	(4,302)
	10,990	6,335
Income tax expense	$ 59,030	$ 29,250

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:

	MARCH 31, 2004	DE
	(THOUSANDS OF D	
Deferred tax assets:		
Mark-to-market on loans held for sale	$ 131,722	$
Allowance for credit losses	97,715	
State income and franchise taxes	8,989	
Discontinued operations	13,654	
Employee benefit expenses	12,691	
Total deferred tax assets	264,771	
Deferred tax liabilities:		
Deferred loan origination costs	(70,067)	
Originated mortgage servicing rights	(4,866)	
Other, net	(2,980)	
Total deferred tax liabilities	(77,913)	
Net deferred tax asset	$ 186,858	$

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.

NOTE H: 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.

At March 31, 2004, the Company had a pipeline of loans in process of approximately $2.02 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 "free-standing" derivatives and are marked to estimated fair value and changes are recorded as a component of

15

gain on the sale of residential real estate loans. Fair value is estimated based upon the change in the estimated fair value of underlying mortgage loans, adjusted for the expected impact of loans not funding within the initial terms. The change is measured from the date of interest rate lock, therefore at the time of issuance; the value of interest rate lock is zero. Subsequently, the interest rate lock value can be positive or negative.

The Company also enters into commitments to sell residential real estate loans to third party investors in whole loan sale transactions. As of March 31, 2004, the Company had approximately $2.28 billion in 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 the 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 the sale of residential real estate loans.

As of March 31, 2004, the estimated fair values of the Company's derivatives were as follows (included in other assets in the consolidated balance sheets):

	ESIMATED FAIR VALUE

	(THOUSANDS OF DOLLARS)
Interest rate cap contract	$ 5,183
Forward sales commitments	3,575
Interest rate lock commitments	205
	$ 8,963

At March 31, 2004, the Company had total loan commitments of $1.57 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 I: 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 organizations that are experiencing or anticipating significant growth are generally expected to maintain capital ratios above minimum levels.

As of March 31, 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 a total risk-based capital as set forth in the following table and not be subject to a capital directive order. There have been no conditions or events since that notification that management believes have changed FIL's categorization as "well-capitalized". The FDIC and FIL, however, have agreed that FIL will maintain a Tier 1 Leverage Ratio of at least 8.5%. As of March 31, 2004, FIL's Tier 1 Leverage Ratio was 9.78%. 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 stockholders' 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.

	MARCH 31, 2004		
	MINIMUM REQUIRED (1)	ACTUAL RATIO	ACTUAL AMOUNT
	(THOUSANDS OF DOLLARS, EXCEPT PERCENTS)		
Tier 1 Leverage Capital	5.00%	9.78%	$ 924,933
Risk-Based Capital:			
Tier 1	6.00%	13.10%	$ 924,933
Total	10.00%	14.39%	$ 1,015,797

	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

(1) Regulatory minimum required to qualify as "well-capitalized".

NOTE J: TOTAL COMPREHENSIVE INCOME

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

	THREE MONTHS EN MARCH 31,	
	2004	2
	(THOUSANDS OF DOL	
Net income	$ 82,663	$ 4

Other comprehensive income (loss):		
Net change in unrealized gains during the period:		
Residual interests in securitized loans	3,546	
Investment securities	(15)	
	3,531	
Less deferred income tax expense (benefit)	1,412	
Other comprehensive income (loss)	2,119	
Total comprehensive income	$ 84,782	$ 4

NOTE K: OPERATIONS BY REPORTABLE SEGMENT

The Company's business is 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 months ended March 31, 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	OTH
			(THOUSANDS OF DOLLARS)		
Three months ended March 31, 2004					
Total revenues	$ 77,215	$ 218,008	$ -	$ 40,124	$ 5,
Net interest income	52,511	64,034	(60)	4,968	(3,
Income before income taxes	28,691	133,125	833	-	(20,
Three months ended March 31, 2003					
Total revenues	$ 75,755	$ 121,375	$ 11	$ 37,955	$ 2,
Net interest income	47,298	28,930	(168)	4,436	(5,
Income before income taxes	10,317	77,685	2,230	(92)	(19,

NOTE L: EARNINGS PER SHARE

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

	THREE MONTHS EN MARCH 31,	
	2004	
	(IN THOUSANDS EX PER SHARE DATA	
Net income (numerator for basic earnings per share)	$ 82,663	$ 4
Effect of dilutive securities:		
LYONs	5	
Net income available to common stockholders after assumed conversions (numerator for diluted earnings per share)	$ 82,668	$ 4
Weighted-average shares (denominator for basic earnings per share)	71,229	6
Effect of dilutive securities using the treasury stock method for restricted stock and stock options:		
Restricted stock	2,244	
LYONs	41	
Stock options	128	
Dilutive potential common shares	2,413	
Adjusted weighted-average shares and assumed conversions (denominator for diluted earnings per share)	73,642	6
Basic earnings per share	$ 1.16	$
Diluted earnings per share	$ 1.12	$

NOTE M: 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 March 31, 2004. The Company believes that the application of the accounting described in SAB 105 will not have a material impact on the Company's financial position or results of operations.

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:

- the variability of general and specific economic conditions and trends, and changes in, and the level of, interest rates;

- 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;

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

- the ability to access the necessary capital 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;

- the ability of the Company 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;

- 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.

GENERAL

Fremont General Corporation ("Fremont" or when combined with its subsidiaries "the Company") is a financial services holding company. The Company's financial services business is consolidated within Fremont General Credit Corporation ("FGCC"), which is engaged in commercial and residential real estate lending nationwide through its California-chartered industrial bank subsidiary, Fremont Investment & Loan ("FIL").

FIL operates its lending platform through nine commercial and five residential regional offices. As of March 31, 2004, FIL had commercial real estate loans held for investment located in 41 states and during the first quarter of 2004, it originated residential real estate loans in 45 states. Revenues are generated primarily from:

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

- Residential real estate loans are primarily either sold through whole loan sales to other financial institutions or to various investors through securitization transactions. A gain on sale is generated when the loans are sold for a premium that is in excess of the loan balances plus certain costs. A certain amount of residential real estate loans are also held for investment with net interest income generated.

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.

RESULTS OF OPERATIONS

The Company reported net income of $82,663,000 for the first quarter of 2004. This is compared to net income of $41,576,000 for the first quarter of 2003.

The Company reported income before taxes of $141,693,000 for the first quarter of 2004 as compared to $70,826,000 for the first quarter of 2003. The increase in income before taxes for the first quarter of 2004 represents a 100% increase over the results for the first quarter of 2003 and is primarily a result of increased levels of net interest income and net gain on the sale of residential real estate loans, offset by an increase in non-interest expenses. The increases in the gain on sale of residential real estate loans and non-interest expenses are both a result of significantly higher levels of residential real estate loan origination volumes.

The following tables identify the 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 first quarters of 2004 and 2003:

	THREE MONTHS ENDED MARCH 3			
	2004			
	AVERAGE BALANCE	INTEREST	YIELD/ COST	AVERAGE BALANCE
	(THOUSANDS OF DOLLARS, EXCEPT PERC			
Interest-earning assets (1):				
Commercial real estate loans	$ 4,009,753	$ 76,304	7.65%	$ 3,748,651
Residential real estate loans (2)	5,076,294	88,199	6.99%	2,305,668
Syndicated commercial loans	5,949	-	-	22,373
Residual interests in securitized loans ...	7,831	646	33.18%	-
Cash equivalents and investment securities.	364,302	1,558	1.72%	242,850
Total interest-earning assets	$ 9,464,129	$ 166,707	7.08%	$ 6,319,542
Interest-bearing liabilities:				
Time deposits	$ 5,191,475	$ 26,751	2.07%	$ 3,658,492
Savings deposits	1,738,433	8,283	1.92%	1,212,769
FHLB advances	1,516,769	7,417	1.97%	720,344
Warehouse lines of credit	-	125	-	-
Senior Notes due 2004	18,941	372	7.90%	68,663
Senior Notes due 2009	190,700	3,836	8.09%	190,700
LYONs	657	8	4.90%	3,109
Junior Subordinated Debentures /				

Preferred Securities	103,093	2,320	9.05%	100,000
Other	6,348	32	2.03%	78,907
Total interest-bearing liabilities	$ 8,766,416	$ 49,144	2.25%	$ 6,032,984
Net interest income		$ 117,563		
Percent of average interest-earning assets:				
Interest income			7.08%	
Interest expense			2.09%	
Net interest margin			4.99%	
Percent of average interest-earning assets (financial services only - exlcudes holding company assets and liabilities):				
Interest income			7.15%	
Interest expense			1.85%	
Net interest margin			5.30%	

24

	THREE MONTHS ENDED	
	2004 COMPARED T	
	CHANGE DUE TO	
	VOLUME	RATE
	(THOUSANDS OF DOL	
Cash equivalent and investment securities	$ 350	$ (1,289)
Loans:		
Commercial real estate	4,969	(2,639)
Residential real estate..	48,084	(4,574)
Other	697	(24)
TOTAL INCREASE / (DECREASE) IN INTEREST INCOME	54,100	(8,526)
Time deposits	(7,899)	7,654
Savings deposits	(2,505)	1,087
FHLB advances	(3,895)	1,325
Warehouse lines of credit	-	(125)
Senior notes due 2004 and 2009	985	-
LYONs	31	-
Junior Subordinated Debentures / Preferred Securities	(70)	-
Other	366	(170)

TOTAL INCREASE / (DECREASE) IN INTEREST EXPENSE	(12,987)	9,771
INCREASE IN NET INTEREST INCOME	$ 41,113	$ 1,245

The net interest income for the first quarter of 2004 was $117.6 million as compared to $75.2 million for the first quarter of 2003. The increase in net interest income is primarily a result of an increase in the average interest-earning assets, primarily residential real estate loans. Average interest-earning assets increased 50% to $9.5 billion during the first quarter of 2004, as compared to $6.3 billion during the first quarter of 2003. The net interest income margin also increased to an annualized 4.99% for the first quarter of 2004 from 4.82% for the first quarter of 2003. The increase in the Company's net interest margin is due primarily to higher net spreads between the commercial real estate loan yields and the effective cost of funds employed to fund these assets as the interest yields on deposits declined on a quarter-to-quarter comparison more than the yields on commercial real estate loans. This is due in part to the presence of interest rate floors (in which the total of the variable base rate, such as six-month LIBOR, plus the related spread on a commercial real estate loan will not contractually drop below a certain absolute level) on a significant number of the Company's commercial real estate loans. The higher margin contribution from the commercial real estate portfolio was partially offset by a compression in the margin for residential real estate loans. The residential real estate loans are primarily comprised of loans held for sale which were predominately originated in or just before the quarterly periods presented; loans originated in or before the first quarter of 2004 had lower margins than in the first quarter of 2003 due to differing interest rate conditions.

The gain on the sale of residential real estate loans, increased from $56.0 million in the first quarter of 2003 to $122.2 million for the first quarter of 2004. This increase is attributable to a significant increase in the volume of loans sold in the first quarter of 2004, as compared to the first quarter of 2003. A total of $4.63 billion in loans were sold (including loans sold via securitization) during the first quarter of 2004, as compared to loan sales of $2.18 billion during the first quarter of 2003. The average gross premium on loans sold during the first quarter of 2004 was 4.30% as compared to an average of 4.28% for the first quarter 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 increased from 2.56% in the first quarter of 2003 to 2.62% in the first quarter of 2004. 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 MARCH 31,	
	2004	2003

Loan sales (net of repurchases):		
Whole loan	$ 3,795,315	$ 2,180,966
Securitization	832,633	-
	$ 4,627,948	$ 2,180,966

	THREE MONTHS MARCH 31, 2004
Gross premium recognized on loan sales and securitizations	$ 199,228
Premium recapture and reversal	(8,693)
Net premium recognized on loan sales and securitizations	190,535
Less: Direct costs of loan originations, net of fees received	(65,072)
Adjustments to carrying value of loans held for sale	(5,218)
Change in fair value of derivative instruments	1,951
Gain on sale (GAAP)	122,196
Less: Origination expenses allocated during the period of origination	(46,365)
Net operating gain on sale	$ 75,831
Gross premium recognized on loan sales and securitizations	4.30 %
Premium recapture and reversal	(0.19)%
Net premium recognized on loan sales and securitizations	4.11 %
Less: Direct costs of loan originations, net of fees received	(1.41)%
Adjustments to carrying value of loans held for sale	(0.12)%
Change in fair value of derivative instruments	0.04 %
Gain on sale (GAAP)	2.62 %
Less: Origination expenses allocated during the period of origination	(1.00)%
Net operating gain on sale	1.62 %

The provision for loan losses decreased to $16.4 million for the first quarter of 2004 as compared to $22.9 million for the first quarter of 2003. The decrease in loss provision for the first quarter of 2004 is primarily due to an expected higher realization on certain of the Company's non-accrual loans and foreclosed commercial real estate properties.

The Company's net loans held for investment before the allowance for loan losses, were approximately $4.95 billion at March 31, 2004, as compared to $4.79 billion and $4.12 billion at December 31, 2003 and March 31, 2003, respectively. The Company's residential real estate loans held for sale have

increased from $1.80 billion at March 31, 2003 to $3.75 billion at March 31, 2004; this increase is reflective of a significant increase in loan production volume. During the first quarter of 2004, residential real estate loan originations totaled $5.09 billion as compared to $2.33 billion for the first quarter of 2003.

Non-interest expense increased during the first quarter of 2004, as compared to the first quarter of 2003. Compensation expense represented substantially all of the change as it increased to $67.2 million for the first quarter of 2004 from $38.7 million in the first quarter of 2003. This increase is substantially a result of increased residential real estate loan origination volume (which increased 119% on a quarter-to-quarter comparative basis). To a lesser degree, other corporate personnel costs increased, as did benefit plan expenses and accruals.

Income tax expense of $59.0 million and $29.3 million for the quarters ended March 31, 2004 and 2003, respectively, represents effective tax rates of 41.7% and 41.3%, respectively, on income before income taxes from continuing operations of $141.7 million and $70.8 million for the same respective periods. The effective tax rates for both periods presented are different than the federal enacted tax rate of 35%, due mainly to various state income tax provisions within the Company's financial services operation.

LOANS HELD FOR INVESTMENT AND SALE

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

	MARCH 31, 2004	DECEMBER 31 2003
Commercial real estate loans:		
Bridge	$ 1,728,551	$ 1,659,847
Permanent	1,215,851	1,281,877
Construction	726,685	804,793
Single tenant credit	256,002	268,506
	3,927,089	4,015,023
Residential real estate loans	1,038,038	789,951
Syndicated commercial loans	4,581	6,857
Other	4,725	4,615
	4,974,433	4,816,446
Deferred loan fees and origination costs	(20,213)	(25,436
	4,954,220	4,791,010
Allowance for loan losses	(220,816)	(213,591
Loans held for investment - net	$ 4,733,404	$ 4,577,419

=========== ===========

As of March 31, 2004, approximately 38% and 12% 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 9% of the loan portfolio. The Company's largest single individual commercial real

estate loan outstanding at March 31, 2004 was $64.0 million with a total loan commitment of $67.9 million. This same loan, however, is cross-collateralized and cross-defaulted, with the same investment fund on a related real estate project. The combined loan principal outstanding and total loan commitment of these two loans at March 31, 2004 is $78.0 million and $81.9 million, respectively. The Company's largest net commitment for a single loan at March 31, 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 $110.5 million in loan principal outstanding and $148.8 million in total loan commitment at March 31, 2004, and is comprised of four separate loans, each of which was performing as of March 31, 2004.

The following table stratifies the commercial real estate loans held for investment by loan amounts outstanding as of March 31, 2004 (thousands of dollars, except percents and number of loans):

LOAN SIZE RANGE	NUMBER OF LOANS	TOTAL LOANS OUTSTANDING	%
$0 - $1 million	124	$ 30,869	1%
> $1 million - $5 million	180	497,488	13%
> $5 million - $10 million	99	724,520	18%
> $10 million - $15 million	48	579,874	15%
> $15 million - $20 million	29	488,690	12%
> $20 million - $30 million	23	563,329	14%
> $30 million - $40 million	14	471,532	12%
> $40 million - $50 million	9	391,207	10%
> $50 million	3	179,580	5%
	529	$ 3,927,089	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 or 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):

	MARCH 31, 2004	DECEMBER 31 2003
Non-accrual loans held for investment:		
Commercial real estate	$ 68,668	$ 71,758
Residential real estate	11,167	8,482
Syndicated commercial loans	4,476	6,752
	$ 84,311	$ 86,992
Accruing commercial real estate loans past due 90 days or more	$ 4,052	$ 36,406
Foreclosed real estate (REO):		
Commercial real estate	$ 35,075	$ 23,621
Residential real estate	1,935	1,845
	$ 37,010	$ 25,466

	THREE MONTHS ENDED MARCH 31, 2004		
	COMMERCIAL REAL ESTATE	RESIDENTIAL REAL ESTATE	SYNDICATED COMMERCIAL LOANS
Beginning allowance for loan losses	$ 195,000	$ 15,607	$ 2,984
Provision for loan losses	10,659	6,641	(901)
Charge-offs	(9,211)	(185)	-
Recoveries	99	87	36
Net Charge-offs	(9,112)	(98)	36
Ending allowance for loan losses	$ 196,547	$ 22,150	$ 2,119

	THREE MONTHS ENDED MARCH 31, 2003		
	COMMERCIAL REAL ESTATE	RESIDENTIAL REAL ESTATE	SYNDICATED COMMERCIAL LOANS

Beginning allowance for loan losses	$ 147,227	$ 7,844	$ 6,119
Provision for loan losses	25,673	(259)	(2,494)
Charge-offs	(8,622)	(170)	(199)
Recoveries	-	34	9
Net Charge-offs	(8,622)	(136)	(190)
Ending allowance for loan losses	$ 164,278	$ 7,449	$ 3,435

Non-accrual loans held for investment were $84.3 million as of March 31, 2004. This is 1.70% of the total loans held for investment as of March 31, 2004. This is compared to $71.4 million in total non-accrual loans as of March 31, 2003, which was 1.73% of the total loans held for investment as of that date. As of March 31, 2004, $68.7 million of the total $84.3 million in non-accrual loans were related to the commercial real estate portfolio. The $68.7 million was comprised of 15 non-accrual loans (the largest having a balance of $24.7 million).

30

Total REO was $37.0 million at March 31, 2004, as compared to $26.9 million at March 31, 2003. Commercial real estate REO at March 31, 2004 was comprised of 11 properties, the largest having a balance of $7.2 million. The Company maintains a valuation allowance on REO, which is detailed as follows (in thousands of dollars):

	AS OF MARCH 31, 2004		
	COMMERCIAL REAL ESTATE	RESIDENTIAL REAL ESTATE	TOTAL
REO	$ 38,064	$ 2,026	$ 40,090
Valuation allowance	(2,989)	(91)	(3,080)
REO - net	$ 35,075	$ 1,935	$ 37,010

During the first quarter of 2004, there were three commercial real estate loans restructured as to their terms and included in accrual status at March 31, 2004. The total loan principal outstanding under these three loans was $9.4 million at March 31, 2004 and the Company incurred $1.8 million in charge-offs related to the restructuring of these loans during the first quarter of 2004. During the first quarter of 2003, there was one loan that was restructured and included in accrual status.

The allowance for loan losses, as a percentage of total loans held for investment, increased to 4.46% as of March 31, 2004, as compared to 4.25% at

March 31, 2003. The increase in the allowance for loan losses during the first quarter of 2004, as compared to the first quarter of 2003, is primarily due to an increased level of commercial and residential real estate loans on non-accrual status assets and an increase in the balance of loans held for investment, primarily of residential real estate loans, as of March 31, 2004. Total net charge-offs in the first quarter of 2004 totaled $9.2 million, as compared to $8.9 million for the first quarter of 2003. The net charge-offs for both the first quarter of 2004 and 2003, respectively, were substantially all related to commercial real estate loans.

The following table shows detail for the Company's residential real estate loans held for sale as of the dates indicated (the Company does not retain any second mortgages in its held for investment portfolio):

	MARCH 31, 2004	DECEMBER 31 2003
	(THOUSANDS OF DOL	
Residential real estate loans held for sale:		
Loan principal outstanding:		
First trust deeds	$ 3,575,360	$ 3,466,432
Second trust deeds	153,023	160,855
	3,728,383	3,627,287
Deferred origination costs, net of loan fees received	53,364	50,067
Valuation reserve	(32,353)	(27,187
Residential real estate loans held for sale - net	$ 3,749,394	$ 3,650,167
Non-accrual residential real estate loans held for sale ("HFS") ...	$ 10,355	$ 6,253

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 MARCH 3
	2004
Loan originations:	
First mortgage	$ 4,885,972
Second mortgage	207,129
	$ 5,093,101

===========

FIRST MORTGAGES - ORIGINATION

	1ST QUARTER	
	2004	2003
TYPE OF PRODUCT:		
Adjustable Rate (2/28)	71.0%	76.7%
Adjustable Rate (3/27)	3.8%	1.2%
Fixed	25.2%	22.1%
	100.0%	100.0%
PURPOSE:		
Refinance	62.1%	65.0%
Purchase	37.9%	35.0%
	100.0%	100.0%
Average Loan Size	$ 207,279	$ 188,257
Average FICO Score	621	617

FIRST & SECOND MORTGAGES - ORIGINATION

GEOGRAPHIC DISPERSION:		
California	38.0%	42.4%
New York	12.4%	7.7%
Florida	8.0%	10.9%
Illinois	5.4%	4.4%
All other states	36.2%	34.6%
	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 $7.1 billion at March 31, 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 March 31, 2004, FIL had borrowing availability with the FHLB of $2.36 billion, of which $1.47 billion was borrowed and outstanding. The $2.36 billion in borrowing availability was based upon a total of $2.78 billion in pledged loan collateral at March 31, 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 $3.40 billion.

As of March 31, 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 March 31, 2004. Borrowings under each of the facilities are secured by loans held for sale as pledged by FIL. There were no amounts outstanding at March 31, 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 July 2004, 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 October 2004, 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 March 31, 2004, FIL was in compliance with all financial and other covenants under these facilities.

In addition, FIL has a line of credit with the Federal Reserve Bank of San Francisco ("FRB") with a borrowing availability of $350.5 million at March 31, 2004. There were no amounts outstanding under the line of credit with the FRB at March 31, 2004.

The FDIC has established certain capital and liquidity standards for its member institutions, and FIL was in compliance with these standards as of March 31, 2004. The Company believes it has sufficient liquidity and capital resources to fund its financial services operation for the foreseeable future.

As a holding company, Fremont pays its operating expenses, interest expense and stockholders' dividends, and meets its other obligations primarily from its cash on hand and intercompany tax payments from FIL. Dividends of $3.7 million and $1.5 million were paid on Fremont's common stock in the quarters ending March 31, 2004 and 2003, respectively; however, the Company can give no

assurance that future common stock dividends will be declared.

During 2003, Fremont 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 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 will offset taxable income generated by FIL; as a

result, beginning in 2004, Fremont is expected to pay most of the federal income taxes it receives from FIL to the federal taxing authorities. There exist certain California Franchise Tax matters pending resolution, of which Fremont is not yet able to make a determination of their ultimate liability. Fremont expects that the final resolution of these matters may take several years, but does not believe that the actual outcomes of these matters will adversely impact its liquidity.

During the first quarter of 2004, Fremont retired at maturity the remaining $22.4 million in principal amount of its 7.70% Senior Notes due 2004. Fremont has cash and cash equivalents of $126.9 million at March 31, 2004 and no debt maturities until March of 2009 and believes that, with its other available sources of liquidity, it will have sufficient means to satisfy its liquidity needs for the foreseeable future.

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 in interest rates will affect the Company's net investment income, loan interest, net gain on the sale of residential real estate loans, interest expense and total stockholders' equity. The level of net gain on the 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 net 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. The Company determined that certain of its interest rate lock commitments and forward sales commitments 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.

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 three months ended March 31, 2004.

ITEM 4. CONTROLS AND PROCEDURES

As of March 31, 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, concluded that the Company's disclosure controls and procedures were effective as of March 31, 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.

PART II - OTHER INFORMATION

ITEM 6: EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 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 By-Laws 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.)

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.)
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 October 1, 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.

(b) REPORTS ON FORM 8-K FILED DURING THE QUARTER ENDED MARCH 31, 2004:

On January 29, 2004 the Company filed a Current Report on Form 8-K, Item 5, to report that rating agency Fitch affirmed its senior debt rating of Fremont General Corporation ("the Company") at CCC+ and revised its Rating Outlook to "Positive" from "Stable." Fitch also affirmed its trust preferred rating of the Company's subsidiary, Fremont General Financing I at CC and revised its Rating Outlook to "Positive" from "Stable." The Form 8-K also reported that on January 27, 2004, Moody's Investors Service upgraded its senior debt rating of the Company to B3 from Caa1 and upgraded its rating of the Company's subordinated debt to Caa2 from Caa3. Moody's also upgraded its rating of the Company's trust preferred securities to Caa2 from Caa3, and stated its outlook for the ratings as "Stable."

On February 25, 2004, the Company filed a Current Report on Form 8-K, Item 12, furnishing information regarding its results of operations and financial condition at, and for the year ended December 31, 2003.

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: May 10, 2004

/s/ LOUIS J. RAMPINO

Louis J. Rampino, President,
Chief Operating Officer and Director

Date: May 10, 2004

/s/ PATRICK E. LAMB

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