FRANKLIN CREDIT MANAGEMENT CORP/DE/
Form 8-K
November 15, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): November 15, 2004

FRANKLIN CREDIT MANAGEMENT CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

75-2243266
(I.R.S. employer identification no.)

0-17771
Commission file number)

Six Harrison Street
New York, New York
(Address of principal executive
offices)

10013
(Zip code)

Registrant's telephone number, including area code: (212) 925-8745

Item 8.01 Other Events

On November 15, 2004, Franklin Credit Management Corporation (the "Company"), a Delaware Corporation, issued a press release entitled "Franklin Credit Management Reports 73 percent increase in third quarter earnings." A copy of the Company's press release is attached as Exhibit 99.1

Item 7 Exhibits
Exhibit No Description
99.1 Press Release, dated Novenber 15, 2004 entitled " Franklin Credit Management reports 73 percent increase in third quarter earnings."

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 hereunto duly authorized.

FRANKLIN CREDIT MANAGEMENT CORPORATION

By: /s/ Jeff Johnson
Jeff Johnson
Chief Executive Officer

Date: November 15, 2004.

Exhibit 99.1
For Immediate Release

Contact: Alan Joseph, CFO
Franklin Credit Management Corp.
(212) 925-8745 ext. 169
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FRANKLIN CREDIT MANAGEMENT REPORTS 73 PERCENT INCREASE IN THIRD QUARTER EARNINGS

NINE-MONTH DILUTED E.P.S. OF $0.92 COMPARE WITH $0.73 IN PRIOR-YEAR PERIOD

NEW YORK, New York (November 15, 2004) - Franklin Credit Management Corp. (OTC BB: FCSC), a specialty financial services company that originates, acquires, manages and sells subprime residential mortgage assets, today announced record sales and earnings for the third quarter and first nine months of 2004.

For the three months ended September 30, 2004, revenues increased 56% to $22.0 million, compared with $14.1 million in the third quarter of the previous year. Net Income increased 73% to a record $2,517,786, or $0.37 per diluted share, compared with $1,455,424, or $0.22 the previous year.

"We are very pleased to report record revenues and earnings for the third quarter of 2004," stated Jeffrey Johnson, Chief Executive Officer of Franklin Credit Management Corporation. "Significant gains in interest income, purchase discounts earned, and gains on the sale of notes receivable resulted from our portfolio acquisition programs, including the bulk purchase of $310 million of subprime loans from Bank One on June 30, 2004, and I can report that the assimilation of these loans into our servicing organization was completed in a very efficient manner. Gains on the sale of loans originated by our Tribeca Lending subsidiary continued to increase during the most recent quarter reflecting our strong loan production activity. We also recorded a modest loss on the sale of other real estate owned (OREO), reflecting a decrease in the quality of a few of the 62 OREO properties that were sold in the period."

"Operating expenses grew at a slower rate than revenues, allowing our pretax profit margin to expand to 21.0% of revenues in the third quarter of 2004, compared with 19.0% in the prior-year quarter."

For the nine months ended September 30, 2004, the Company reported record revenues of $52.8 million, which represented an increase of 26% when compared with $42.0 million in the corresponding period of the previous year. Net income rose 31% to a record $6,192,100, or $0.92 per diluted share, versus net income of $4,732,045, or $0.73 per diluted share, in the nine months ended September 30, 2003.

"Shortly after the end of the third quarter, we announced the bulk purchase of $99.4 million in subprime mortgage loans from Master Financial Corporation, a national mortgage banking company," continued Johnson.

"We expect a strong fourth quarter and are optimistic that earnings for the year ending December 31, 2004 will exceed last year's record $1.02 per diluted share. With interest rates expected to rise in coming months, the "spread" between our portfolio yield and the interest rates at which we borrow will likely narrow. However, we are optimistic that the growth in our loan portfolio and related activities will contribute to the Company's revenues and earnings," concluded Johnson.

About Franklin Credit Management Corp.

Franklin Credit Management Corporation ("FCMC", and together with its wholly-owned subsidiaries, the "Company") is a specialty consumer finance and asset management company primarily engaged in the acquisition, origination, servicing and resolution of performing, sub-performing and non-performing residential mortgage loans and residential real estate. The Company acquires these mortgages from a variety of mortgage bankers, banks, and other specialty finance companies. These loans are generally purchased in pools at discounts from their aggregate contractual balances, from sellers in the financial services industry. Real estate is acquired in foreclosure or otherwise and is also generally acquired at a discount relative to the appraised value of the asset. The Company conducts its business from its executive and main office in New York City and through its website www.franklincredit.com. Its common stock trades on the OTC Bulletin Board under the symbol "FCSC".

Statements contained herein that are not historical fact may be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are subject to a variety of risks and uncertainties. There are a number of important factors that could cause actual results to differ materially from those projected or suggested in forward-looking statements made by the Company. These factors include, but are not limited to: (i) unanticipated changes in the U.S. economy, including changes in business conditions such as interest rates, and changes in the level of growth in the finance and housing markets; (ii) the status of relations between the Company and its sole Senior Debt Lender and the Senior Debt Lender's willingness to extend additional credit to the Company; (iii) the availability for purchases of additional loans; (iv) the status of relations between the Company and its sources for loan purchases; (v) unanticipated difficulties in collections under loans in the Company's portfolio; and (vi)other risks detailed from time to time in the Company's SEC reports. Additional factors that would cause actual results to differ materially from those projected or suggested or suggested in any forward-looking statements are contained in the Company's filings with the Securities and Exchange Commission, including, but not limited to, those factors discussed under the caption "Real Estate Risk" in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which the Company urges investors to consider. The Company undertakes no obligation to publicly release the revisions to such forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrences of unanticipated events, except as other wise required by securities and other applicable laws. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to release publicly the results on any events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

For further information, please contact:

Alan Joseph, CFO of Franklin Credit Management Corp. at 212-925-8745 (Ext. 169)

Financial Highlights to Follow

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
	2004	2003	2004	2003
REVENUES:				
Interest income	$16,628,125	$10,438,099	$38,618,733	$31,721,768
Purchase discount earned	2,969,825	1,385,753	6,039,002	3,366,675
Gain on sale of notes receivable	229,840	36,991	1,074,742	633,105
Gain on sale of originated loans held for sale	1,026,372	895,774	3,171,801	2,302,819
Gain on sale of other real estate owned	(145,846)	174,651	227,551	927,845
Rental income	9,725	29,874	33,675	103,674
Prepayments and other income	1,247,416	1,096,582	3,646,884	2,899,019
	21,965,457	14,057,724	52,812,388	41,954,905
OPERATING EXPENSES:				
Interest expense	9,939,303	5,489,147	20,733,508	16,102,017
Collection, general and administrative	5,974,354	4,476,633	16,167,756	12,995,727
Provision for loan losses	728,504	783,854	2,436,763	2,368,299
Amortization of deferred financing costs	584,916	516,483	1,738,043	1,356,875
Depreciation	118,590	120,283	368,214	327,742
	17,345,667	11,386,400	41,444,284	33,150,660
INCOME BEFORE PROVISION FOR INCOME TAXES	4,619,790	2,671,324	11,368,104	8,804,245
PROVISION FOR INCOME TAXES	2,102,004	1,215,900	5,176,004	4,072,200

NET INCOME	$2,517,786	$1,455,424	$6,192,100	$4,732,045
NET INCOME PER COMMON SHARE:				
Basic	$ 0.43	$ 0.25	$ 1.05	$ 0.80
Diluted	$ 0.37	$ 0.22	$ 0.92	$ 0.73
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING BASIC	5,916,527	5,916,527	5,916,527	5,916,527
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING DILUTED	6,815,141	6,573,879	6,749,544	6,506,560

CONSOLIDATED BALANCE SHEETS (Unaudited)

ASSETS	September 30, 2004	December 31, 2003
CASH AND CASH EQUIVALENTS	$ 22,533,835	$ 14,418,876 35
RESTRICTED CASH	113,457	413,443
NOTES RECEIVABLE:		
Principal	796,079,203	465,553,870
Purchase discount	(38,809,394)	(25,678,165)
Allowance for loan losses	(84,031,931)	(46,247,230)
Net notes receivable	673,237,878	393,628,475
ORIGINATED LOANS HELD FOR SALE	34,861,339	27,372,779
ORIGINATED LOANS HELD FOR INVESTMENT	43,212,524	9,536,669
ACCRUED INTEREST RECEIVABLE	7,764,609	4,332,419
OTHER REAL ESTATE OWNED	16,684,155	13,981,665
OTHER RECEIVABLES	4,664,500	2,893,735
MARKETABLE SECURITIES	256,697	202,071
DEFERRED TAX ASSET	614,166	681,398
OTHER ASSETS	4,440,257	3,720,163
BUILDING, FURNITURE AND EQUIPMENT - Net	1,341,133	1,252,711
DEFERRED FINANCING COSTS- Net	7,033,597	4,298,942

TOTAL ASSETS	$ 816,758,147	$ 476,733,346
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable and accrued expenses	$ 7,088,629	$ 4,979,806
Financing agreements	35,180,332	23,315,301
Notes payable	747,154,565	427,447,844
Income tax liability:		
Current	61,011	
Deferred	1,402,204	1,311,089
TOTAL LIABILITIES	790,886,741	457,054,040
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value, 10,000,000 authorized shares; issued and outstanding: 5,916,527	59,167	59,167
Additional paid-in capital	6,985,968	6,985,968
Retained earnings	18,826,271	12,634,171
TOTAL STOCKHOLDERS' EQUITY	25,871,406	19,679,306
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$816,758,147	$476,733,346