UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the period ended September 30, 1995

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 1-8993

FUND AMERICAN ENTERPRISES HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	94-2708455
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

THE 1820 HOUSE, MAIN STREET, NORWICH, VERMONT 05055-0850
(Address of principal executive offices including zip code)

(802) 649-3633
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (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 ______

As of November 10, 1995, 7,534,340 shares of Common Stock with a par value of $1.00 per share were outstanding.

FUND AMERICAN ENTERPRISES HOLDINGS, INC.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FUND AMERICAN ENTERPRISES HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	September 30, 1995 (UNAUDITED)	December 31, 1994
ASSETS		
Common equity securities, at market value (cost: $262.6 and $294.2)	$ 295.4	$ 332.4
Other investments (cost: $148.5 and $163.6)	153.6	157.3
Short-term investments, at amortized cost (which approximated market value)	68.9	119.2
Total investments	517.9	608.9
Cash	.4	1.5
Capitalized mortgage servicing, net of accumulated amortization	367.5	530.5
Mortgage loans held for sale	388.3	210.5
Other mortgage origination and servicing assets	178.9	213.7
Investments in unconsolidated affiliates	91.9	69.7
Other assets	175.8	172.5
TOTAL ASSETS	$ 1,720.7	$ 1,807.3
LIABILITIES		
Short-term debt	$ 321.6	$ 254.1
Long-term debt	456.4	547.0
Accounts payable and other liabilities	189.6	245.1
Total liabilities	967.6	1,046.2
MINORITY INTEREST - PREFERRED STOCK OF SUBSIDIARY	100.0	100.0
SHAREHOLDERS' EQUITY		
Preferred stock - authorized 10,000,000 shares: Series D - voting preferred stock; $1 par value per share - 0 and 20,833 shares outstanding	-	75.0
Common stock at $1 par value per share - authorized 125,000,000 shares; issued 32,731,099 and 33,597,147 shares	32.7	33.6
Common paid-in surplus	375.6	338.1
Retained earnings	1,121.5	1,098.2
Net unrealized gains on investment securities	27.2	19.7
Common stock in treasury, at cost - 25,184,939 and 25,187,210 shares	(878.4)	(878.5)
Loan for common stock issued	(25.5)	(25.0)
Total shareholders' equity	653.1	661.1
TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY	$ 1,720.7	$ 1,807.3

See Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED INCOME STATEMENTS
UNAUDITED
(MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1995	1994	1995	1994
REVENUES:				
Mortgage servicing revenue	$ 32.0	$ 41.4	$ 107.4	$ 126.0
Amortization of capitalized servicing	14.5	22.7	51.6	68.5
Net servicing revenue	17.5	18.7	55.8	57.5
Net gain on sales of mortgages	9.6	1.8	15.3	30.6
Gain on sale of mortgage servicing	-	-	28.2	-
Other mortgage operations revenue	3.5	5.0	10.5	19.8
Equity in earnings of unconsolidated affiliates	3.2	1.4	7.2	2.1
Investment income	14.8	17.5	42.0	77.1
Other revenue	-	-	9.7	-
Total revenues	48.6	44.4	168.7	187.1
EXPENSES:				
Interest expense	12.2	17.1	34.3	64.3
Compensation and benefits	16.0	21.9	96.7	54.9
General expenses	14.7	17.4	42.1	54.4
Total expenses	42.9	56.4	173.1	173.6
PRETAX OPERATING EARNINGS (LOSS)	5.7	(12.0)	(4.4)	13.5
Net realized investment gains	4.4	20.6	31.8	43.0
Pretax earnings	10.1	8.6	27.4	56.5
Income tax provision	3.5	4.4	11.3	23.3
AFTER TAX EARNINGS	6.6	4.2	16.1	33.2
Tax benefit from sale of discontinued operations	-	-	66.0	-
Loss on early extinguishment of debt, after tax	-	-	(.4)	-
Cumulative effect of accounting change- purchased mortgage servicing, after tax	-	-	-	(44.3)
NET INCOME (LOSS)	6.6	4.2	81.7	(11.1)
Less dividends on preferred stock	.5	2.1	3.8	8.2
Net income (loss) applicable to common stock	$ 6.1	$ 2.1	$ 77.9	$ (19.3)

PRIMARY EARNINGS PER SHARE:				
After tax earnings	$ .75	$ .24	$ 1.46	$ 2.61
Net income (loss)	.75	.24	9.26	(2.01)
FULLY DILUTED EARNINGS PER SHARE:				
After tax earnings	.75	.24	1.74	2.60
Net income (loss)	.75	.24	8.86	(2.01)

See Notes to Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED
(MILLIONS)

	Nine Months Ended September 30, 1995	Nine Months Ended September 30, 1994
CASH FLOWS FROM OPERATIONS:		
Net income (loss)	$ 81.7	$ (11.1)
Charges (credits) to reconcile net income to cash flows from operations:		
Tax benefit from sale of discontinued operations	(66.0)	-
Loss on early extinguishment of debt, after tax	.4	-
Cumulative effect of accounting change - purchased mortgage servicing, after tax	-	44.3
Compensation expense resulting from warrant extension	46.2	-
Net realized investment gains	(31.8)	(43.0)
(Increase) decrease in mortgage loans held for sale	(177.8)	942.8
Gain on sale of mortgage servicing	(28.2)	-
Depreciation and amortization	55.2	77.0
Capitalized excess mortgage servicing income	(4.7)	(15.8)
Changes in current income taxes receivable and payable	21.9	26.6
Deferred income tax benefit	(10.8)	(2.8)
Other, net	39.6	(6.6)
NET CASH FLOWS (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(74.3)	1,011.4
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease in short-term investments	50.4	178.6
Sales and maturities of common equity securities and other inves	152.8	276.4
Purchases of common equity securities and other investments	(30.5)	(155.8)
Investments in unconsolidated affiliates	(33.8)	(44.0)
Dividends received from unconsolidated affiliates	.6	-
Funding of revolving credit agreement	(40.0)	-
Collections on mortgage origination and servicing assets	154.2	190.3
Additions to purchased mortgage servicing	(36.1)	(42.3)
Additions to originated mortgage servicing	(20.4)	-
Proceeds from sale of mortgage servicing	169.8	70.2
Additions to other mortgage origination and servicing assets	(123.8)	(202.6)
Sales (purchases) of fixed assets, net	.3	(3.4)
NET CASH PROVIDED FROM INVESTING ACTIVITIES	243.5	267.4
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in short-term debt	67.4	(1,188.9)
Proceeds from issuances of preferred stock by subsidiary	-	96.9
Repayments of long-term debt	(93.7)	(23.9)
Proceeds from issuances of common stock from treasury	.1	-
Purchases of common stock retired	(64.2)	(78.8)
Retirement of preferred stock	(75.0)	(82.0)
Cash dividends paid to preferred shareholder	(4.9)	(9.1)
NET CASH USED FOR FINANCING ACTIVITIES	(170.3)	(1,285.8)
NET DECREASE IN CASH DURING PERIOD	(1.1)	(7.0)
CASH BALANCE AT BEGINNING OF PERIOD	1.5	10.7
CASH BALANCE AT END OF PERIOD	$ .4	$ 3.7
SUPPLEMENTAL CASH FLOWS INFORMATION:		
Interest paid	$ (30.4)	$ (58.1)
Net income tax payments	$ (.2)	$ .7
Non-cash exchanges of investment securities	$ 90.0	$ -

See Notes to Condensed Consolidated Financial Statements.

NOTE 1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements include the accounts of Fund American Enterprises Holdings, Inc. (the "Company") and its subsidiaries (collectively, "Fund American"). Fund American's primary business is conducted through Source One Mortgage Services Corporation and its subsidiaries ("Source One"). Source One is one of the nation's largest mortgage banking companies.

The financial statements have been prepared in accordance with generally accepted accounting principles and include all adjustments (consisting of normal recurring adjustments) considered necessary by Management to fairly present the financial position, results of operations and cash flows of Fund American. These financial statements should be read in conjunction with the Company's 1994 Annual Report to Shareholders. These interim financial statements may not be indicative of financial results for the full year.

NOTE 2. ACCOUNTING STANDARD RECENTLY ADOPTED

In May 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 122, "Accounting for Mortgage Servicing Rights". SFAS No. 122 requires the total cost of acquiring mortgage loans, either through loan origination activities or purchase transactions, to be allocated to the mortgage servicing rights and the loans based on their relative fair values. The statement requires entities to measure impairment on a disaggregated basis by stratifying the capitalized mortgage servicing asset based on one or more predominant risk characteristics of the underlying loans. Impairment is recognized through a valuation allowance for each individual stratum.

In the third quarter of 1995 Fund American adopted the provisions of SFAS No. 122 as of January 1, 1995. SFAS No. 122 prohibits retroactive application to periods prior to January 1, 1995. Therefore the reported results for 1995 may not be comparable to respective prior year amounts.

Fund American estimates the fair value of its servicing rights by calculating the expected future cash flows associated with such rights. In making those estimates, Fund American incorporated assumptions that market participants would use in their estimates of future servicing income and expense and discounted those cash flows using current market rates.

To measure impairment of the capitalized servicing asset, Fund American stratified its post-implementation mortgage loan servicing portfolio based on its predominant risk characteristics which were determined to be prepayment and default risks. This resulted in stratification by interest rate, loan type (investor) and original maturity. The fair value of each stratum was computed and compared to its recorded book value to determine if a valuation allowance, or recovery of a previously established valuation allowance, was required.

NOTE 3. EARNINGS PER SHARE

Primary earnings per share amounts are based on the weighted average number of common and dilutive common equivalent shares outstanding of 8,146,614 and 9,054,084 for the three month periods ended September 30, 1995 and 1994, respectively, and 8,411,168 and 9,590,721 for the nine month periods ended September 30, 1995 and 1994, respectively. Fully diluted earnings per share amounts are based on the weighted average number of common shares outstanding, assuming full dilution, of 8,150,534 and 9,066,334 for the three month periods ended September 30, 1995 and 1994, respectively, and 9,221,554 and 9,619,247 for the nine month periods ended September 30, 1995 and 1994, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS -- NINE-MONTH PERIODS ENDED SEPTEMBER 30, 1995 AND 1994

Fund American ended the third quarter with a book value per common and equivalent share of $81.94, an increase of $12.99 from the December 31, 1994 book value per share of $68.95.

Net income was $81.7 million for the nine month period ended September 30, 1995, versus an $11.1 million net loss for the comparable prior year period. The 1995 year-to-date income statement includes $8.0 million of pretax earnings resulting from the adoption of SFAS No. 122. Net income for 1995 also includes three nonrecurring items recorded in the second quarter: (i) a $46.2 million pretax charge to compensation expense related to outstanding employee stock warrants; (ii) a $66.0 million favorable tax development relating to the sale of a former subsidiary; and (iii) the receipt of a $9.7 million pretax breakup fee, plus reimbursement of related expenses, from Home Holdings, Inc. The 1994 net loss includes a $44.3 million after tax charge in the first quarter related to a change in accounting methodology adopted by Source One. For the third quarter Fund American reported net income in 1995 of $6.6 million versus $4.2 million in 1994.

In the third quarter of 1995 Fund American adopted the provisions of SFAS No. 122 as of January 1, 1995. The implementation of SFAS No. 122, as it relates to the capitalization of originated mortgage servicing rights during the nine month and three month periods ended September 30, 1995, resulted in the recognition of additional pretax gains on sales of mortgages of $19.8 million and $10.8 million, respectively.

The implementation of SFAS No. 122 also resulted in additional pretax accounting impairment (recapture) of the capitalized mortgage servicing asset of $11.8 million and $(.2) million during the nine month and three month periods ended September 30, 1995, respectively. In accordance with SFAS No. 122, accounting impairment is now recognized through a valuation allowance which can be recovered in future periods should conditions impacting the valuation of mortgage servicing rights improve.

MORTGAGE ORIGINATION AND SERVICING. Source One's mortgage loan production in the 1995 third quarter improved versus production in the first half of the year as recent declines in interest rates and a flattening of the yield curve have sparked fixed rate loan production. A summary of Source One's mortgage loan production and mortgage servicing portfolio activities follows:

	Three Months Ended September 30		Nine Months Ended September 30,	
Millions	1995	1994	1995	1994
Mortgage loan production:				
Retail originations	$ 534	$ 459	$ 1,059	$ 2,493
Wholesale originations	475	259	889	1,597
Total	$ 1,009	$ 718	$ 1,948	$ 4,090
Mortgage loan servicing portfolio (a):				
Beginning balance	$ 28,746	$ 38,870	$ 39,568	$ 38,403
Mortgage loan production	1,009	718	1,948	4,090
Servicing acquisitions	-	1,651	-	3,707
Regular payoffs	(687)	(741)	(1,550)	(4,179)
Servicing sale	-	-	(9,893)	-
Servicing released, principal amortization and foreclosures	(501)	(459)	(1,506)	(1,982)
Ending balance	$ 28,567	$ 40,039	$ 28,567	$ 40,039

Additional information regarding Source One's mortgage loan servicing portfolio is shown below:

	SEPT. 30, 1995	June 30, 1995	Dec. 31, 1994
Mortgage loan servicing portfolio:			
Number of loans (a) (b)	438,058	442,352	543,428
Weighted average interest rate (a) (b)	8.27%	8.29%	8.14%
Percent delinquent (b) (c)	4.96%	4.90%	4.84%

(a) Includes loans subserviced for others of $4,111 million, $4,190 million and $4,294 million as September 30, 1995, June 30, 1995 and December 31, 1994, respectively.
(b) Excludes $1,651 million of interim servicing as of December 31, 1994.
(c) Includes loans in process of foreclosure.

Mortgage servicing revenue, net of amortization of the capitalized servicing asset, decreased $1.7 million to $55.8 million for the nine month period ended September 30, 1995 from $57.5 million for the comparable prior year period. The decline is primarily due to the sale of $9.9 billion of mortgage servicing rights in the 1995 first quarter to a third party (the "Servicing Sale") and impairment of the capitalized mortgage servicing asset as a result of adopting SFAS No. 122, partially offset by slower amortization of the capitalized mortgage servicing asset resulting from lower prepayments during 1995 as compared to 1994. Net mortgage servicing revenue decreased $1.2 million to $17.5 million for the third quarter of 1995.

Source One reported net gains on sales of mortgages into the secondary market of $15.3 million for the nine month period ended September 30, 1995 versus $30.6 million for the comparable prior year period. The 1995 deterioration is primarily attributable to the reduced volume of mortgage loan sales and increased price competition industry wide, partially offset by the effects of implementing SFAS No.122. Net gains on sales of mortgages in the third quarter of 1995 were $9.6 million versus $1.8 million in the third quarter of 1994. This is primarily the result of the effects of implementing SFAS No. 122.

During the first quarter of 1995, Source One recognized a $28.2 million pretax gain ($18.3 million after tax) resulting from the Servicing Sale. The capitalized mortgage servicing asset declined to $367.5 million at September 30, 1995, from $530.5 million at December 31, 1994, primarily as a result of the Servicing Sale.

INVESTMENT OPERATIONS. Fund American's investment income is comprised primarily of interest income earned on mortgage loans originated by Source One. Investment income decreased to $42.0 million and $14.8 million for the nine month and three month periods ended September 30, 1995, respectively, from $77.1 million and $17.5 million for the comparable prior year periods. The declines resulted from a lower average size of Source One's inventory of mortgage loans held for sale. Total net investment gains and losses, before tax, were as follows:

	Nine Months Ended Sept. 30,	
Millions	1995	1994
Net realized gains	$ 31.8	$ 43.0
Net unrealized gains (losses)	11.6	(39.6)
Total net investment gains, before tax	$ 43.4	$ 3.4

During the first nine months of 1995, Fund American sold 2,401,000 shares of common stock of American Express Company for $76.7 million. As of September 30, 1995, Fund American's largest holdings of common equity securities, at market value, were The Louisiana Land & Exploration Company ($104.3 million), San Juan Basin Royalty Trust ($75.6 million) and Zurich Reinsurance Centre Holdings, Inc. ($68.5 million).

In the second quarter of 1995 Fund American received a $9.7 million breakup fee, plus reimbursement of certain expenses, which was triggered by the rejection of Fund American's proposed investment in Home Holdings, Inc. The breakup fee is included in other revenue.

EXPENSES. Source One finances its inventory of mortgage loans held for sale primarily with debt. Accordingly, the decrease in mortgage loans held for sale resulted in a decrease in interest expense for 1995 as compared to 1994.

At Fund American's 1995 Annual Meeting, shareholders approved a new five-year employment agreement between Fund American and its Chairman Jack Byrne which calls for Mr. Byrne to serve as Chairman and Chief Executive Officer of Fund American through December 31, 1999 in return for, among other things, an extension of the expiration date of 1,000,000 of Mr. Byrne's warrants to purchase shares of Fund American common stock from January 2, 1996 to January 2, 2002. A $46.2 million pretax charge to compensation expense was recorded in the second quarter of 1995 as a result of the warrant extension. The extension of the warrants, which were purchased by Mr. Byrne in 1985, did not reduce total shareholders' equity or book value per common and common equivalent share (which already considers the dilutive effects of all issued and outstanding common stock equivalents such as stock options and warrants).

Excluding the effects of the $46.2 million pretax charge associated with the warrant extension, compensation and benefits expense decreased $4.4 million and $5.9 million, respectively, for the nine month and three month periods ended September 30, 1995 versus the comparable prior year periods. Source One nets mortgage loan origination fees, less certain direct costs, against compensation and benefits expense. The higher level of originations experienced by Source One during 1994 resulted in significantly higher origination fees offsetting compensation and benefits for the year-to-date and quarterly 1994 periods than were experienced during the comparable 1995 periods. Excluding the effects of the warrant extension and mortgage loan origination fees, compensation and benefits decreased $18.3 million for the year-to-date period from 1994 to 1995.

Fund American's general expenses decreased 22.7%, to $42.1 million, and 16.2%, to $14.7 million, for the nine month and three month periods ended September 30, 1995, respectively, versus the comparable prior year periods. The declines were primarily due to decreases in mortgage loan production expenses resulting from lower production levels experienced during 1995.

TAX BENEFIT FROM SALE OF SUBSIDIARY. On January 2, 1991, Fund American sold Fireman's Fund Insurance Company to Allianz of America, Inc. The $1.3 billion gain from the sale as reported in 1991 included a $75.0 million tax benefit related to Fund American's estimated tax loss from the sale. Since 1991 Fund American has carried an estimated reserve related to tax matters affecting the amount of the deductible tax loss from the sale and other tax matters.

The recent conclusion of Internal Revenue Service audits of Fund American's Federal tax returns for taxable periods ending on or prior to October 23, 1985 has resolved certain of the tax matters affecting the amount of Fund American's deductible tax loss from the sale and Fund American has, therefore, re-estimated its tax reserve. As a result of the reserve re-estimation, Fund American included in its second quarter 1995 income statement an additional $66.0 million income tax benefit from the sale.

The amount of tax benefit from the sale ultimately realized by Fund American may be significantly less or more than Fund American's current estimate due to possible changes in or new interpretations of tax rules, possible amendments to Fund American's 1990 or prior years' Federal Income tax returns, the result of further Internal Revenue Service audits and other matters affecting the amount of the deductible tax loss from the sale.

INSURANCE OPERATIONS. Fund American's operating affiliate, Financial Security Assurance Holdings Ltd. (FSA), posted strong results through the first nine months of 1995. Fueled in part by $95.5 million of newly originated present value premiums in the nine month period ended September 30, 1995 ($21.2 million in the third quarter), FSA's adjusted book value has grown $3.37, or 12.8%, to $29.77 at September 30, 1995 from $26.40 at December 31, 1994.

White Mountains Insurance Company, Fund American's New Hampshire-based commercial property and casualty insurance company, wrote its first policies in the 1995 third quarter.

On October 20, 1995, Fund American received regulatory clearance to acquire the Valley Insurance Company. Fund American expects to receive regulatory approval to acquire Charter Indemnity Company in the near future, allowing Fund American to close the Valley and Charter acquisitions shortly thereafter.

LIQUIDITY AND CAPITAL RESOURCES

PARENT COMPANY. Pursuant to the terms of a credit agreement among the Company and White River Corporation ("White River"), the Company provided White River with a $50.0 million term loan (the "Term Loan") and a $40.0 million revolving credit facility (the "Revolver"). The credit agreement granted White River the right to use certain of its investment securities to repay its borrowings under the Term Loan and the Revolver.

On June 29, 1995 White River repaid $35.1 million in principal amount on the Revolver with: (i) 930,000 shares of common stock of Mid Ocean Limited ("Mid Ocean Shares"); and (ii) options to acquire an additional 388,140 Mid Ocean Shares through November 2002. On July 3, 1995, White River repaid the remaining $4.9 million principal balance on the Revolver and $5.0 million in principal amount on the Term Note in exchange for certain common equity securities. On August 31, 1995, White River repaid the remaining $45.0 million principle balance on the Term Note with 1,525,424 shares of common stock of Zurich Reinsurance Centre Holdings, Inc.

On July 31, 1995, the Company redeemed all 20,833 shares of its outstanding Voting Preferred Stock Series D for $75.0 million of cash. The redemption price for the shares of preferred stock redeemed was equal to the stock's liquidation preference.

Prospectively, the primary sources of cash inflows for the Company will be sales of investment securities, investment income and distributions received from its operating subsidiaries.

SOURCE ONE. Source One's investments, mortgage loans held for sale and mortgage loan servicing portfolio provide a liquidity reserve since they may be sold to meet cash needs.

Source One's working capital requirements have historically been funded through its revolving credit and commercial paper programs. These borrowings are used to fund mortgage loan production until the sale of such mortgage loans in the secondary market.

Declines in mortgage loan production have led to a reduction in the average balance of mortgage loans held for sale during 1995, resulting in a decrease in Source One's average outstanding balance of short-term borrowings. Source One also repurchased $82.3 million in principal amount of its long-term debt during the first half of 1995.

At September 30, 1995 Source One had $60.8 million of short-term borrowings outstanding under committed bank credit agreements and $230.7 million of outstanding commercial paper.

Source One entered into the Servicing Sale in the first quarter of 1995 to take advantage of the substantial increase in the value of servicing rights that was created by the rise in interest rates during 1994 and to bring its servicing and origination activities into better balance. On October 31, 1995, Source One acquired the rights to service approximately $5.0 billion of mortgage loans from a third party. Additional purchases or sales of mortgage servicing rights may occur in the future when Source One deems such transactions to be economically advantageous.

On November 7, 1995, the Securities and Exchange Commission approved a registration statement allowing Source One to offer to exchange up to $100 million aggregate principal amount of Quarterly Income Capital Securities for up to four million shares of its outstanding 8.42% Cumulative Preferred Stock Series A.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE BY SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

11 - Statement Re Computation of Per Share Earnings*

(b) Reports on Form 8-K

None.

*Filed herewith.

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.

FUND AMERICAN ENTERPRISES HOLDINGS, INC.

(Registrant)

Date: November 14, 1995

By: /s/ Michael S. Paquette

Michael S. Paquette
Vice President and Controller

EXHIBIT 11

FUND AMERICAN ENTERPRISES HOLDINGS, INC.
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
(IN THOUSANDS, EXCEPT PER SHARE EARNINGS)
UNAUDITED

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1995	1994	1995	1994
PRIMARY EARNINGS PER SHARE:				
Earnings per share numerator:				
After tax earnings	$ 6,637	$ 4,260	$ 16,090	$ 33,210
Preferred stock dividends	(553)	(2,130)	(3,834)	(8,214)
After tax earnings applicable to common stock	6,084	2,130	12,256	24,996
Tax benefit from sale of discontinued operations	-	-	66,000	-
Loss on early extinguishment of debt, after tax	-	-	(400)	-
Cumulative effect of accounting change - purchased mortgage servicing, after tax	-	-	-	(44,296)
Net income (loss) for per share computation	$ 6,084	$ 2,130	$ 77,856	$ (19,300)
Earnings per share denominator:				
Average common shares outstanding	7,617	8,492	7,880	9,045
Dilutive options, warrants and performance shares	530	562	531	546
Shares for per share computation	8,147	9,054	8,411	9,591
Primary earnings per share:				
After tax earnings	$ .75	$ .24	$ 1.46	$ 2.61
Net income (loss)	.75	.24	9.26	(2.01)
FULLY DILUTED EARNINGS PER SHARE				
Earnings per share numerator:				
After tax earnings	$ 6,637	$ 4,260	$ 16,090	$ 33,210
Preferred stock dividends, if applicable	(553)	(2,130)	-	(8,214)
After tax earnings applicable to common stock	6,084	2,130	16,090	24,996
Tax benefit from sale of discontinued operations	-	-	66,000	-
Loss on early extinguishment of debt, after tax	-	-	(400)	-
Cumulative effect of accounting change - purchased mortgage servicing, after tax	-	-	-	(44,296)
Net income (loss) for per share computation	$ 6,084	$ 2,130	$ 81,690	$ (19,300)
Earnings per share denominator:				
Average common shares outstanding	7,617	8,492	7,880	9,045
Dilution for options, warrants and performance shares	534	553	534	553
Dilution for preferred stock, if applicable	-	-	808	-
Shares for per share computation	8,151	9,045	9,222	9,598
Fully diluted earnings per share:				
After tax earnings	$ .75	$ .24	$ 1.74	$ 2.60
Net income (loss)	.75	.24	8.86	(2.01)

NOTE: The Voting Preferred Stock Series D is not a common stock equivalent.

5
1,000,000

3-MOS	9-MOS
DEC-31-1995	DEC-31-1995
JUL-01-1995	JAN-01-1995
SEP-30-1995	SEP-30-1995
0	0
0	518
0	42
0	13
0	0
0	0
0	0
0	0
0	1,721
0	322
0	456
0	653
0	0
0	0
0	0
0	1,721
0	0
49	169
0	0
31	140
(4)	(32)
0	0
12	34
10	27
3	11
7	16
0	0
0	66
0	0
7	82
.75	9.26
.75	8.86