

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

/X/ Annual report pursuant to Section 15 (d) of the Securities Exchange  
Act of 1934

For the fiscal year ended December 31, 1996

OR

/ / Transition report pursuant to Section 15 (d) of the Securities  
Exchange Act of 1934For the transition period from \_\_\_\_\_ to  
\_\_\_\_\_

Commission file number 1-8993

A. Full title of the plan and the address of the plan, if different from  
that of the issuer named below:SOURCE ONE MORTGAGE SERVICES CORPORATION  
EMPLOYEE STOCK OWNERSHIP AND 401(k) SAVINGS PLAN  
27555 FARMINGTON ROAD, FARMINGTON HILLS, MICHIGAN 48334-3357  
(248) 488-7000B. Name of issuer of the securities held pursuant to the plan and the  
address of its principal executive office:FUND AMERICAN ENTERPRISES HOLDINGS, INC.  
80 South Main Street  
Hanover, New Hampshire 03755-2053  
(603) 643-1567

## EXPLANATORY NOTE

This Annual Report on Form 11-K is being filed pursuant to Section 15 (d) of the Securities Exchange Act of 1934 with respect to Source One Mortgage Services Corporation Employee Stock Ownership and 401(k) Savings Plan so that it may be incorporated by reference into the Registration Statement on Form S-8 which Fund American Enterprises Holdings, Inc. filed on September 30, 1996 with respect to shares of Common Stock, \$1.00 par value per share, of Fund American Enterprises Holdings, Inc. issuable under the Plan.

## INFORMATION FILED

The following financial statements and exhibit are filed with, and included in, this Report:

## A. Financial statements for the Plan consisting of:

1. Report of Independent Auditors
2. Statements of Assets Available for Benefits as of December 31, 1996 and 1995
3. Statements of Changes in Assets Available for Benefits for the years ended December 31, 1996 and 1995
4. Notes to Financial Statements
5. Schedule of Assets held for Investment Purposes
6. Schedule of Reportable Transactions

## B. Exhibit:

23. Consent of Ernst & Young LLP

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Source One Mortgage Services Corporation  
Employee Stock Ownership and 401(k)  
Savings Plan

Date: June 27, 1997

By /s/ Greg Ghilardi  
-----  
Greg Ghilardi  
Vice President-Human Resources  
Source One Mortgage Services  
Corporation

## Report of Independent Auditors

The Board of Directors  
Source One Mortgage Services Corporation

We have audited the accompanying statements of assets available for benefits of the Source One Mortgage Services Corporation Employee Stock Ownership and 401(k) Savings Plan (the "Plan") as of December 31, 1996 and 1995 and the related statements of changes in assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets available for benefits of the Plan at December 31, 1996 and 1995, and the changes in its assets available for benefits for the years then ended, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of assets held for investment purposes and reportable transactions as of and for the year ended December 31, 1996, are presented for purposes of complying with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and are not a required part of the financial statements. The supplemental schedules have been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

April 11, 1997

Source One Mortgage Services Corporation  
Employee Stock Ownership and 401(k) Savings Plan

Statement of Assets Available for Benefits

December 31, 1996

	INSTITUTIONAL FUND	GLOBAL ALLOCATION FUND	CORPORATE BOND FUND	CAPITAL FUND
Assets				
Investments at fair value (Note 4)				
Merrill Lynch Trust Company Funds:				
Institutional Fund	\$14,900			
Global Allocation Fund		\$ 93,554		
Corporate Bond Fund			\$13,734	
Capital Fund				\$63,817
AIM Family of Funds:				
AIM Constellation Fund				
AIM Value Fund				
Fund American Enterprises Holdings, Inc.				
Total investments	14,900	93,554	13,734	63,817
Receivables:				
Company contributions (Note 3)				
Participants' contributions	2,110	15,475	2,110	10,551
Accrued income	1	4	1	3
Total receivables	2,111	15,479	2,111	10,554
Total assets available for benefits	\$17,011	\$109,033	\$15,845	\$74,371

	AIM CONSTELLATION FUND	AIM VALUE FUND	FUND AMERICAN ENTERPRISES HOLDINGS, INC. COMMON STOCK	COMBINED
Assets				
Investments at fair value (Note 4)				
Merrill Lynch Trust Company Funds:				
Institutional Fund				\$ 14,900
Global Allocation Fund				93,554
Corporate Bond Fund				13,734
Capital Fund				63,817
AIM Family of Funds:				
AIM Constellation Fund	\$142,606			142,606
AIM Value Fund		\$ 88,238		88,238
Fund American Enterprises Holdings, Inc.			\$7,171,499	7,171,499
Total investments	142,606	88,238	7,171,499	7,588,348
Receivables:				
Company contributions (Note 3)				
Participants' contributions	23,212	14,067	1,628,817	1,628,817
Accrued income	5	4	313	70,339
Total receivables	23,217	14,071	1,631,944	331
Total assets available for benefits	\$165,823	\$102,309	\$8,803,443	\$9,287,835

See accompanying notes.

Source One Mortgage Services Corporation  
Employee Stock Ownership and 401(k) Savings Plan

Statement of Assets Available for Benefits

December 31, 1995

ASSETS

Investments, at fair value (Note 4):	
Fund American Enterprises Holdings, Inc.	
common stock	\$5,022,492
Collective funds	26,023
	-----
Total investments	5,048,515
Company contribution receivable (Note 3)	998,175
Accrued income	131
	-----
Total assets	6,046,821

LIABILITIES

Due to bank	2,762
	-----
Net assets available for benefits	\$6,044,059
	=====

See accompanying notes.

Source One Mortgage Services Corporation  
Employee Stock Ownership and 401(k) Savings Plan

Statement of Changes in Assets Available for Benefits

Year ended December 31, 1996

	INSTITUTIONAL FUND	GLOBAL ALLOCATION FUND	CORPORATE BOND FUND	CAPITAL FUND
	-----	-----	-----	-----
Additions to assets attributed to:				
Investment income:				
Net realized and unrealized appreciation (depreciation) in fair value of investments	\$ -	\$ (4,010)	\$ (132)	\$(1,677)
Interest income	-	-	-	-
Dividend income	52	4,525	59	1,800
	-----	-----	-----	-----
	52	515	(73)	123
Contributions:				
Participant contributions	16,959	108,518	15,918	74,248
Company contributions	-	-	-	-
	-----	-----	-----	-----
	16,959	108,518	15,918	74,248
Total additions	-----	-----	-----	-----
	17,011	109,033	15,845	74,371
Deductions from net assets attributed to benefits paid to participants	-	-	-	-
	-----	-----	-----	-----
Net increase	17,011	109,033	15,845	74,371
Assets available for benefits at beginning of year	-	-	-	-
	-----	-----	-----	-----
Assets available for benefits at end of year	\$17,011	\$109,033	\$15,845	\$74,371
	=====	=====	=====	=====

	AIM CONSTELLATION FUND	AIM VALUE FUND	FUND AMERICAN ENTERPRISES HOLDINGS, INC. COMMON STOCK	COMBINED
	-----	-----	-----	-----
Additions to assets attributed to:				
Investment income:				
Net realized and unrealized appreciation (depreciation) in fair value of investments	\$ (4,625)	\$(1,994)	\$1,619,335	\$1,606,897
Interest income	-	-	5,896	5,896
Dividend income	3,301	2,940	59,594	72,271
	-----	-----	-----	-----
	(1,324)	946	1,684,825	1,685,064
Contributions:				
Participant contributions	167,147	101,363	18,031	502,184
Company contributions	-	-	1,628,817	1,628,817
	-----	-----	-----	-----
	167,147	101,363	1,646,848	2,131,001
Total additions	-----	-----	-----	-----
	165,823	102,309	3,331,673	3,816,065
Deductions from net assets attributed to benefits paid to participants	-	-	(572,289)	(572,289)
	-----	-----	-----	-----
Net increase	165,823	102,309	2,759,384	3,243,776
Assets available for benefits at beginning of year	-	-	6,044,059	6,044,059
	-----	-----	-----	-----
Assets available for benefits at end of year	\$165,823	\$102,309	\$8,803,443	\$9,287,835
	=====	=====	=====	=====

See accompanying notes.

Source One Mortgage Services Corporation  
Employee Stock Ownership and 401(k) Savings Plan

Statement of Changes in Assets Available for Benefits

Year ended December 31, 1995

Additions to assets attributed to:

Investment income:

Net realized and unrealized appreciation in fair value of stock	\$ 105,549
Interest income	2,506
Stock dividend income--Fund American Enterprises Holdings, Inc.	13,969
	-----
	122,024

Stock contributions from Source One Mortgage Services Corporation (Note 3)	998,175
	-----

Total additions	1,120,199
-----------------	-----------

Deductions from net assets attributed to benefits paid to participants	732,317
	-----

Net increase	387,882
--------------	---------

Assets available for benefits at beginning of year	5,656,177
	-----

Assets available for benefits at end of year	\$6,044,059
	=====

See accompanying notes.



Source One Mortgage Services Corporation  
Employee Stock Ownership and 401(k) Savings Plan

Notes to Financial Statements

December 31, 1996

1. SIGNIFICANT ACCOUNTING POLICIES

The Source One Mortgage Services Corporation Employee Stock Ownership and 401(k) Savings Plan ("Plan") was originally established as a profit-sharing plan designed to invest primarily in the stock of Fund American Enterprises Holdings, Inc. ("FAEH"). FAEH is a publicly held company. Source One Mortgage Services Corporation (the "Company" or "SOMSC") is an indirect wholly-owned subsidiary of FAEH. Effective October 1, 1996, the Plan was amended to add a 401(k) savings feature.

The fair values of the participation units owned by the Plan in the mutual funds are based on quoted market values on the last business day of the plan year. The fair value of the investment in FAEH stock is based on the last sales price on the last business day of the plan year. Realized gains and losses are computed based upon a weighted average cost basis.

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. DESCRIPTION OF THE PLAN

The Plan is a contributory defined contribution plan sponsored by the Company. All employer contributions are made to the Employee Stock Ownership portion of the Plan and all employee contributions are made to the 401(k) savings portion of the Plan. All administrative expenses associated with the Plan are paid by the Company.

Employees are eligible to participate in the Employee Stock Ownership portion of the Plan after completing one year of service. A year of service for purposes of determining whether an individual is eligible to participate in the Plan means the 12 consecutive month period following the date the individual starts work upon completion of 1,000 hours of service. Employees become eligible to participate in the Employee Stock Ownership portion of the Plan each year on either January 1st or July 1st.

Employees are eligible to participate in the 401(k) portion of the Plan generally upon the first day of the calendar quarter following the date of hire and attainment of age 18.

Source One Mortgage Services Corporation  
Employee Stock Ownership and 401(k) Savings Plan

Notes to Financial Statements (continued)

2. DESCRIPTION OF THE PLAN (CONTINUED)

Each eligible participant in the Employee Stock Ownership portion of the Plan has a FAEH stock account and a cash account. These accounts are adjusted each year for (1) an allocation of the FAEH's common stock contributed to the Plan, if any, and (2) any forfeitures of FAEH stock resulting from the termination of employment of other participants in the Plan before their accounts are fully vested and (3) interest and dividends. These allocations are based on a percentage of participant compensation, as defined. Participants are eligible for 100% of their account balance upon retirement after attaining age 65, becoming disabled, or to the employee's beneficiary in the case of death. Account balances are payable to the participants at termination, in accordance with the following vesting table:

YEARS OF SERVICE -----	PERCENTAGE VESTING -----
Less than 3	0%
3 but less than 4	30
4 but less than 5	40
5 but less than 6	60
6 but less than 7	80
7 years or more	100

Upon termination for any reason, participants in the Employee Stock Ownership portion of the Plan can elect to receive the vested portion of their accounts as either the cash proceeds from the sale of their stock by the trustee or the FAEH stock. Payments and distributions are made in accordance with Plan provisions.

Eligible participants in the 401(k) portion of the Plan may contribute between 1% and 14% of their total compensation, as defined, and are 100% vested in their account balance. Additionally, participants may elect several available options of investing and have the opportunity to change their elections daily. Upon termination of service, a participant whose account balance does not exceed \$3,500 will receive a lump-sum amount equal to the value of his or her account. If employment terminates before a participant's 65th birthday and his or her account balance exceeds \$3,500, the participant may defer payment plus any earnings on that balance until his or her 65th birthday in accordance with ERISA requirements.

Source One Mortgage Services Corporation  
Employee Stock Ownership and 401(k) Savings Plan

Notes to Financial Statements (continued)

2. DESCRIPTION OF THE PLAN (CONTINUED)

The Company reserves the right at any time to amend or terminate the Plan. Upon termination of the Plan, participant accounts, after the payment of any Plan termination expenses, would be valued as of the date of such termination and would be 100% vested.

Additional information about the Plan agreement and benefit provisions is contained in the Summary Plan Description.

3. CONTRIBUTIONS

The Company normally contributes to the Plan each calendar year an amount determined at the discretion of the Company's Board of Directors, not exceeding certain limits imposed by the Internal Revenue Code (IRC). For the Plan years December 31, 1996 and 1995, the Board voted to contribute FAEH stock having a value equal to \$1,628,817 and \$998,175, respectively (approximately 5% and 3% of the sum of the individual participant's creditable compensation for the Plan years ended December 31, 1996 and 1995, respectively).

4. INVESTMENTS

During 1996 and 1995, the Plan's investments (including investments bought, sold, as well as held during the year) appreciated (depreciated) in fair value, as determined by quoted market price, as follows:

	NET UNREALIZED APPRECIATION (DEPRECIATION) IN FAIR VALUE DURING YEAR	FAIR VALUE AT END OF YEAR
	-----	-----
Year ended December 31, 1996:		
Mutual funds	\$ (12,438)	\$ 416,849
Common stock	1,619,335	7,171,499
	-----	-----
	\$1,606,897	\$7,588,348
	=====	=====
Year ended December 31, 1995:		
Collective funds	\$ -	\$ 26,023
Common stock	105,549	5,022,492
	-----	-----
	\$ 105,549	\$5,048,515
	=====	=====

Source One Mortgage Services Corporation  
Employee Stock Ownership and 401(k) Savings Plan

Notes to Financial Statements (continued)

4. INVESTMENTS (CONTINUED)

The fair value of individual investments that represent 5% or more of the Plan's net assets at either year-end are as follows:

	1996	1995
	-----	-----
Common stock:		
Fund American Enterprises Holdings, Inc.	\$7,171,499	\$5,022,492

5. INCOME TAX STATUS

The original Plan, prior to the amendment to add the 401(k) savings feature, received a favorable determination letter from the Internal Revenue Service dated July 29, 1992. The administrators of the Plan have requested, but have not received, a determination letter, stating that the amended Plan is qualified under section 401(a) of the Internal Revenue Code of 1986 (the "Code"). Once qualified, the Plan is required to operate in conformity with the Code and ERISA to maintain its tax exempt status. The administrators of the Plan are not aware of any course of action or series of events that have occurred that might adversely affect the Plan's qualified status.

Source One Mortgage Services Corporation  
Employee Stock Ownership and 401(k) Savings Plan

Schedule of Assets Held for Investment Purposes

December 31, 1996

IDENTITY OF ISSUE, BORROWER, LESSOR OR SIMILAR PARTY	DESCRIPTION OF INVESTMENT INCLUDING MATURITY DATE, RATE OF INTEREST, COLLATERAL, PAR OR MATURITY VALUE	COST	CURRENT VALUE
Merrill Lynch Trust Company	Institutional Fund 14,900 units	\$ 14,900	\$ 14,900
Merrill Lynch Trust Company	Global Allocation Fund 6,434 units	97,564	93,554
Merrill Lynch Trust Company	Corporate Bond Fund 1,213 units	13,866	13,734
Merrill Lynch Trust Company	Capital Fund 2,057 units	65,494	63,817
AIM Family of Funds	AIM Constellation Fund 5,646 units	147,230	142,606
AIM Family of Funds	AIM Value Fund 3,027 units	90,232	88,238
Fund American Enterprises Holdings, Inc.	Common Stock 74,898 shares	6,119,823	7,171,499
		----- \$6,549,109	----- \$7,588,348
		=====	=====

Source One Mortgage Services Corporation  
Employee Stock Ownership and 401(k) Savings Plan

Schedule of Reportable Transactions

Year ended December 31, 1996

IDENTITY OF PARTY INVOLVED	DESCRIPTION OF ASSET (INCLUDING INTEREST RATE AND MATURITY IN CASE OF A LOAN)	PURCHASE PRICE	SELLING PRICE	LEASE RENTAL	EXPENSE INCURRED WITH TRANSACTION	CURRENT VALUE OF ASSET ON DATE	NET GAIN (LOSS)
-----							
Category i) A transaction with respect to any plan asset involving an amount in excess of 5% of the current value of the Plan assets:							
Comerica Bank	998,175 units of Short-Term Investment Fund	\$ 1.00				\$998,175	\$998,175 \$-
	499,088 units of Short-Term Investment Fund	1.00				499,088	499,088 -
	499,088 units of Short-Term Investment Fund		\$1.00			499,088	499,088 -
	499,486 units of Short-Term Investment Fund		1.00			499,486	499,486 -
Fund American Enterprises Holdings, Inc.	6,567 shares of Common Stock	76.00				499,486	499,486 -

Source One Mortgage Services Corporation  
Employee Stock Ownership and 401(k) Savings Plan

Schedule of Reportable Transactions (continued)

IDENTITY OF PARTY INVOLVED	DESCRIPTION OF ASSET (INCLUDING INTEREST RATE AND MATURITY IN CASE OF A LOAN)	PURCHASE PRICE	SELLING PRICE	LEASE RENTAL	EXPENSE INCURRED WITH TRANSACTION	COST OF ASSET	CURRENT VALUE OF ASSET ON TRANSACTION DATE	NET GAIN (LOSS)
Category iii) A series of transactions involving securities of the same issue which, when aggregated, involve an amount in excess of 5% of the current value of plan assets:								
Comerica Bank	Short-Term Investment Fund:							
	26 purchases					\$1,943,174	\$1,943,174	\$ -
	20 sales					1,969,197	1,969,197	-
Fund American Enterprises Holdings, Inc.	Common Stock:							
	6 purchases					897,987	897,987	-
	15 sales					358,345	368,316	21,628

There were no category ii) or iv) reportable transactions.

## CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No.333-13027) pertaining to the Source One Mortgage Services Corporation Employee Stock Ownership and 401(k) Savings Plan of our report dated April 11, 1997, with respect to the financial statements and schedules of the Source One Mortgage Services Corporation Employee Stock Ownership and 401(k) Savings Plan in this Annual Report (Form 11-K) for the year ended December 31, 1996.

/s/ Ernst & Young LLP

Detroit, Michigan  
June 27, 1997