

FPFI Creditor Trust
Report to Beneficial Interest Holders
For the Period of
May 10, 2000 to September 30, 2001

The FPFI Creditor Trust (the Trust) has achieved many accomplishments and faced many challenges since its inception on May 10, 2000.¹

It has been and is my goal to administer the Trust in the most efficient manner to maximize the distribution to the Unsecured Creditors of FirstPlus Financial, Inc., who are now the Beneficial Interest Holders of the Trust.

I am pleased with the results of the claims administration process. Since inception, the Trust has made significant progress in reducing the claims filed in the FirstPlus bankruptcy case by approximately 90%. This reduction of objectionable claims significantly increases the ultimate return to the remaining allowed claimants. Additionally, the Trust successfully prosecuted numerous preference actions that resulted in cash recoveries for the Trust, as well as a net reduction in unsecured claims through related negotiations.

I am also pleased with the progress on the liquidation of the Servicing Business and the Bank, two significant assets of the Trust, as contemplated by the Plan. The Servicing Business was sold to Countrywide Home Loans, Inc. on a highest bid basis, which brought in approximately \$28.5 million in cash. Additionally, approximately \$8.5 million of servicing fee income was collected during the sub-servicing period prior to the sale of the servicing rights. The Bank has partially liquidated its assets through a series of sales to individual financial institutions, resulting in realizing an approximate 10% premium over book value.

During this same time frame, the Trust and the residual assets have paid out approximately \$85.0 million to secured creditors, consisting of approximately \$21.5 million to creditors with a claim against the servicing rights, \$14.0 million to secured residual lenders, per settlement agreements, and approximately \$49.5 million through cash flows generated from Residual Assets.

As called for in the Plan, the Trust's relationship with FirstPlus Financial, Inc. (FirstPlus) was left open to be structured in a manner to protect its tax benefits.

¹ Unless otherwise defined, initial capitalized terms shall have the same meaning as given in the Glossary that accompanied the Confirmed Modified Third Amended Plan for FirstPlus Financial, Inc., dated April 17, 2000.

This required a thorough analysis of the different structural vehicles available that would provide the Trust with control and not impair the future use of its tax benefits. Through extensive analysis, the Trust achieved its objective by placing the stock of FirstPlus into a sub-trust of the Trust.

Two major events have challenged the Trust. Each of these events was not anticipated when the Plan was confirmed and are largely beyond the Trust's control. The first challenge appeared in the form of class action lawsuits, filed against the securitization trusts and against the Bank. Class action litigation began shortly after the FirstPlus bankruptcy was closed and the Trust was formed on May 10, 2000. Since that time, approximately 49 suits in 12 states have been filed against the securitization trusts, FirstPlus Bank or both.

The other event challenging the Trust is the historically unprecedented increase in prepayments on the loans underlying the securitization trusts, creating a negative impact on the expected future cash flows of the residuals. This increase in prepayments is primarily due to the significant decline in the Federal Discount Rate that began in early 2001 and continues at this time, thereby making refinancing of securitized loans more attractive to the individual borrowers.

The Trust cannot predict the future outcome or impact of these two events with certainty. I have devoted a significant amount of attention to both of these issues. Relating to the litigation, I have developed strategies designed to protect the Trust's interest in both the securitization residuals and the Bank. For the increase in prepayments, I am monitoring the trends and assessing the severity of the impact to the Trust.

In closing, I am satisfied with the progress on the claims administration and expect to be in a position to assess the resolution of the class action litigation during the next year, thereby allowing a determination of the amount and timing of the first distribution to the Beneficial Interest Holders.

Sincerely,

David T. Oberfell
Trustee, FPI Creditor Trust
December 5, 2001

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The following analysis is a summary of the significant issues encountered since the inception of the FPFI Creditor Trust (the Trust) and the current status or resolution as of September 30, 2001.

Claims Administration

One of the most significant tasks that directly affects the ultimate recovery to the unsecured creditors is that of analyzing the validity of claims filed against the estate. The claims work requires analysis of detail creditor claims and reconciliations to the underlying accounting records, as well as filing legal objections against invalid claims and either eliminating them or reaching settlements.

During the course of the case, there were approximately 10,902 claims filed against the Trust, for an aggregate amount of approximately \$2.1 billion. After a thorough analysis of the claims filed, approximately 4,925 claims, for an aggregate amount of approximately \$65 million, have been allowed. There are approximately 313 additional claims currently subject to some type of dispute, in an estimated amount of approximately \$81 million. Approximately 5,664 claims, in the approximate amount of \$1.9 billion, have been disallowed. This represents an approximate 90% reduction in the original dollar amount of claims against the estate.

Preference Actions

In order for all creditors to be treated fairly, an analysis must be performed to determine whether, under the Bankruptcy Code, certain creditors received preferential treatment prior to the Debtor's bankruptcy filing. To accomplish this analysis, a review is made of all payments made to creditors within statutory periods prior to bankruptcy. Generally speaking, if a payment is made to a creditor during the statutory periods, which is preferential against other creditors, the Court may force the creditor to pay the preferential amount back to the estate, for which the creditor in turn receives an unsecured claim against the estate. This process is designed to try to ensure all unsecured creditors share equally in the recovery of their claims against the estate.

Although the Debtor projected no recovery from preference actions, the initial review of payments made to creditors during the preference periods indicated that approximately \$5 million in payments were subject to challenge as preferential transfers by the Debtor. As a result, approximately 70 legal actions were filed to recover the money for the estate. Ultimately, most of these actions have been resolved, resulting in a benefit to the estate of approximately \$1.2 million, net of legal and accounting fees.

Servicing Sale

The Trust, through its ownership of Western Interstate Bancorp (WIB) and the Servicing Business, owned certain second lien mortgage servicing rights, related to an approximate \$4 billion pool of second lien mortgages. Pursuant to the Plan, effective August 29, 2000, the Servicing Business was sold to Countrywide Home Loans, Inc. (Countrywide) for a price of \$28.5 million plus accrued interest of \$1.1 million. As part of the transaction, Countrywide also assumed a liability of the Trust to pay certain amounts of the future servicing revenues to the NIMS bondholders, who's bonds are secured by the Residuals.

Approximately \$8.5 million was paid to WIB prior to the sale in the form of servicing fee income, net of sub-servicing compensation retained by Countrywide. A portion of the proceeds from the sale was used to pay operating expenses at WIB during the sub-servicing period, shutdown costs and to pay certain claims against the servicing rights. The amount of sale proceeds disbursed to pay liens against the servicing rights was approximately \$21.5 million, with approximately \$15.2 million going to payoff the principal balance of a loan from Beal Bank,

collateralized by the servicing rights, and the remainder going to paydown servicing related accrued liabilities. Additionally, WIB paid \$7.5 million on the WIB note, which the Trust used to pay secured creditors in accordance with the Plan.

Liquidation of the Bank

The Trust obtained ownership of the stock of FirstPlus Bank (the “Bank”), an Industrial Thrift and Loan, as part of the Bankruptcy Plan. The Bank is located in Tustin, California. Historically, the California Department of Financial Institutions and the Federal Deposit Insurance Corporation have regulated the Bank.

Soon after the Effective Date, the Bank stock was marketed for sale. The bids received reflected a significant discount to the expected value, due to class action litigation claims filed against the Bank shortly after the closing of the Plan. After receiving the bids, it became apparent that the increasing number and intensity of the litigation claims would likely preclude a successful Bank stock sale.

Accordingly, an alternative method of realizing the value of the Bank was developed. This method resulted in an orderly liquidation of the Bank’s assets and liabilities, while retaining the stock for an ultimate distribution of value to the Trust. Since that time, the Bank’s deposits have been sold for an average premium of approximately 2.5% to various financial institutions. As of September 30, 2001, the Bank’s assets consist primarily of approximately \$9.7 million of cash and cash equivalents and approximately \$12.7 of loans receivable, resulting in net equity of approximately \$21.8 million. The outcome or impact of the pending litigation on the Trust's ultimate realization of such equity is not known at this time.

For the Trust to receive benefit of the value remaining in the Bank, the Bank must complete the liquidation process proscribed by California law. This liquidation process provides that all creditors of the Bank be given sufficient notice to present claims, which will then be resolved through a court-supervised process. Given the vast amount of unliquidated contingent claims asserted in the class action litigation, the Bank’s claims resolution process must be complete before it can distribute value to its shareholder, the Trust.

The ultimate amount and timing of any distribution to the Trust will primarily depend on the resolution of unliquidated claims asserted in the class action litigation through the court-supervised liquidation process. This litigation alleges the Bank originated loans in violation of certain state lending statutes and seeks

remedies that include refunds of certain interest and fees and the assessment of penalties. The timing and ultimate resolution of these disputes are not currently known. It is possible that an adverse outcome could significantly impact the distribution of the Bank's equity to the Trust.

Residual Performance

Under the Plan, a significant source of payment to Class 4 creditors is the payment of the Cash Flow Note. The Cash Flow Instrument is the instrument executed by FirstPlus Financial, Inc. (the Debtor) at Closing providing for certain cash payments from the Debtor to the Trustee on behalf of the Trust in accordance with Section 6.5.9 of the Plan. The basic underlying assets of the Cash Flow Instrument are the Residual Assets owned by the Debtor, which are first subject to certain Allowed Secured Claims. The Cash Flow Instrument calls for quarterly payments from the Debtor to the Trustee for all cash flow from the Residual Assets after satisfaction of all Allowed Secured Claims against the Residual Assets and payment of any federal income taxes.

The Cash Flow Instrument has suffered a significant impairment in value after the closing of the plan, primarily due to increased prepayments by borrowers on the underlying loans. The increase in prepayments can be most directly linked to the unprecedented lowering of the Federal Discount Rate - 11 reductions since January, 2001. Additionally, as noted in the "Litigation" section discussed below, the Cash Flow Instrument may be impacted by certain putative class action litigation claims, which could have a significant negative impact on its ultimate value.

There are significant assumptions related to estimating the future cash flows of Residual Assets. The two main assumptions used to value the cash flow from the Residual Assets are the expected rate of prepayment (sometimes referred to as prepayment speed) and the expected default rates to be experienced on the underlying second lien mortgages. The Plan estimates were based on prior experience and market trends. Additional factors ultimately impacting the value of the Cash Flow Instrument include the availability and utilization of tax benefits, the amount of Class 4 Allowed General Unsecured Claims, the amount of Estate Cash and WIB Note Cash to be distributed to Class 4 General Unsecured Creditors, the amount of any shortfall on the payment of the Settlement Note, and the impact of pending litigation.

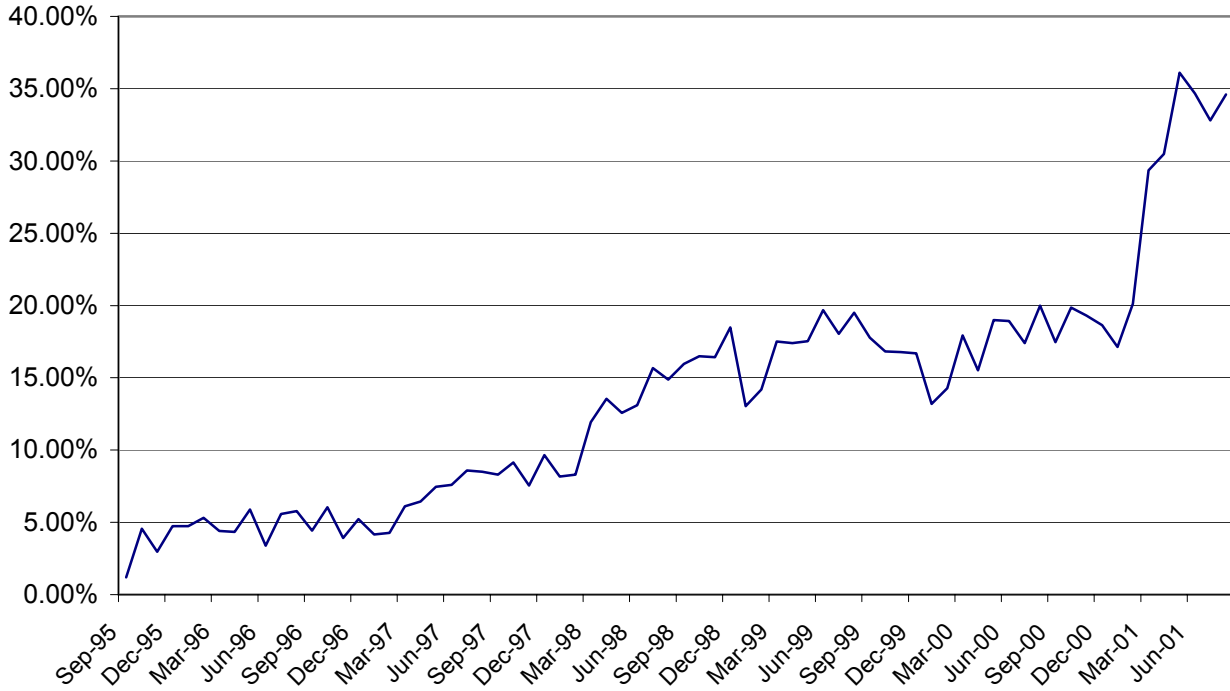
The original assumptions used during the Debtor's bankruptcy proceeding (in 1999) included a prepayment curve with an average peak of approximately 18% tapering off to an approximate 12% tail and a default curve with an average peak of approximately 6% tapering off to a 2% tail. These assumptions resulted in a projected 100% recovery for Unsecured Class 4 Non-Electing Creditors.

After the closing of the Plan, actual prepayments and defaults tracked reasonably close to projections until March of 2001 when prepayments significantly increased. The March, 2001 prepayment speeds increased from approximately 18% to approximately 30%, almost 67% higher than the average prepayment speeds encountered over approximately four years, from inception to April, 2001. During the ensuing several months, the average prepayment rate rose to as high as 36% before decreasing somewhat to a range of 27% to 34%.

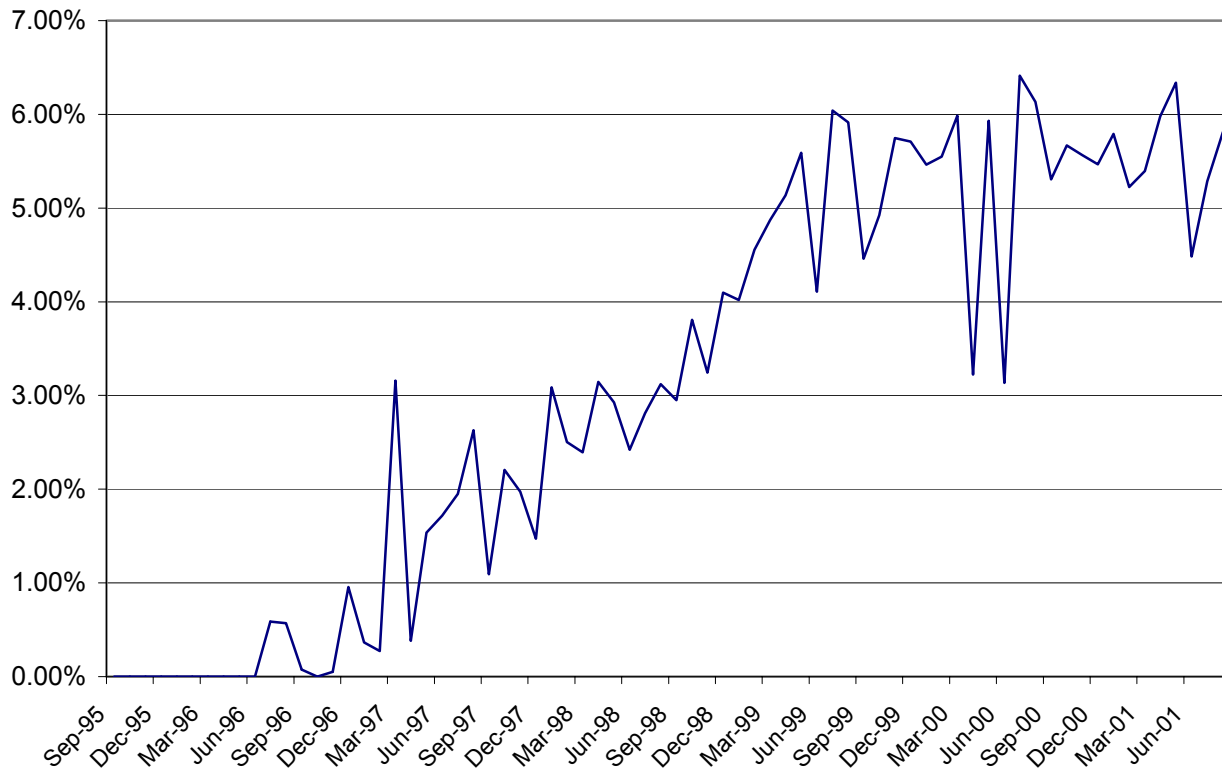
Such an unanticipated change in the prepayment speeds has led to a significant impairment to the ultimate value of the Cash Flow Instrument. Accordingly, the preparation of a new estimate of the future cash flows was necessary to determine the extent of this impairment. As a part of this updated re-estimate, all significant assumptions were reevaluated. The most significant changes made to the future assumptions relate to the increase in the expected prepayment rate and using a constant prepayment rate rather than a curve. For the default rates, the tail on the default curve was increased from a standard 2% to 50% of the peak of the default curve. Although these changes result in a lower estimate of future cash flows, they appear more reasonable when considering the actual performance of the underlying residuals since the last evaluation in 1999.

The following graphs represent actual historical performance and the table indicates the range of possible future undiscounted cash flows that may be generated from the Cash Flow Instrument, based on various prepayment speeds and default rates. As can be seen from the graphs, the most significant event has been the sharp increase in prepayment speeds in March of 2001. It is unknown if these rates will remain at these higher levels or will return to the historical averages of the past.

Constant Prepayment Rates



Constant Default Rates



The following chart represents a matrix of expected undiscounted future cash flows for the Cash Flow Instrument, based on relevant ranges of prepayment speeds and default rates and assuming no negative impact from pending litigation. As can be seen from the table below, the amount of expected undiscounted future cash flows ranges from a high of approximately \$154 million to a low of approximately \$22 million.

Undiscounted Cashflows after Secured Creditors
(Dollars in Thousands)

		Constant Prepayment Rate				
		15%	20%	25%	30%	35%
% of Loss Curve	90%	\$154,996	\$111,504	\$81,849	\$64,391	\$51,198
	95%	\$135,517	\$94,134	\$72,049	\$55,747	\$43,378
	100%	\$111,564	\$82,522	\$61,939	\$46,691	\$35,138
	105%	\$97,021	\$70,564	\$51,327	\$36,878	\$26,029
	110%	\$82,655	\$57,968	\$39,651	\$26,778	\$22,621

Based on the issues noted above, the Trust has determined that due to the significant amount of uncertainty, the Cash Flow Instrument will be carried at zero in its financial statements. Accordingly, any value for the Cash Flow Instrument will not be recognized until cash is received by the Trust, or until such time the material factors impacting these estimates become more certain.

Litigation

As noted above, the Cash Flow Instrument (backed by the Residual Assets) and the Bank are significant assets of the estate. Shortly after the closing of the Plan, certain borrowers filed claims as members of putative classes of borrowers against various defendants, including certain FirstPlus Securitization Trusts, which hold the underlying loans that fund payments on the Residual Assets, FirstPlus Bank as an originator of loans, and certain wholesale correspondent loan originators, each of whom sold loans to FirstPlus Financial, Inc. These borrowers seek recovery of alleged excess payments and other damages from the Bank, as originator, and the securitization trusts, as assignees and holders of security interests in the mortgage loans. The plaintiffs also seek declaratory judgments that the loans are void. The claims are based on consumer protection statutes in the various states. To date, no court has certified a class of borrowers.

The Trust has taken several steps to protect its interest in the Residual Assets. Initially, the affected securitization trusts were amended to provide for a legal

defense fund to be established within the securitization trusts. Without such an amendment, the securitization trusts would be unable to defend against legal attacks due to a lack of liquidity. As a result, the securitization trusts are now able to fund their legal defense, and are being represented by Dorsey & Whitney.

The Trust has taken steps to liquidate any claims against FirstPlus Bank (the Bank) by proceeding with an orderly liquidation of the Bank under California corporation law. This process is designed to ensure a fair and orderly treatment of Bank creditors and the Trust, as equity holder. Under this process it is anticipated that all potential creditors will be given notice during the first quarter of 2002.

Additionally, the Trust believes it has certain protections from the Debtor's bankruptcy proceeding that may serve as a defense to these class actions. These protections are being analyzed to determine most effective utilization for the benefit of the Beneficial Interest Holders of the Trust.

The ultimate disposition of these matters is not known at this time and they may have a material adverse effect on the Cash Flow Instrument and the financial condition of the Bank and ultimately the Trust.

Financial Reporting and Taxes

The Trust has worked diligently to maintain compliance with the various taxing authorities by filing the appropriate federal and local tax returns. The Trust believes there is significant value in the tax benefits of the Debtor, which can be used to offset certain taxable income in future periods.

As called for in the Plan, the Trust's relationship with the Debtor was left open to be structured in a manner to protect its tax benefits. This required a thorough analysis of the different structural vehicles available that would provide the Trust with control and not impair the future use of these tax benefits. Through extensive analysis, this objective has been achieved by placing the stock of FirstPlus into a sub-trust of the Trust.