

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2007

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 2-82985

AMERICAN GENERAL FINANCE, INC.

(Exact name of registrant as specified in its charter)

Indiana
(State of Incorporation)

35-1313922
(I.R.S. Employer Identification No.)

601 N.W. Second Street, Evansville, IN
(Address of principal executive offices)

47708
(Zip Code)

(812) 424-8031

(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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The registrant meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format.

At November 8, 2007, there were 2,000,000 shares of the registrant's common stock, \$.50 par value, outstanding.

TABLE OF CONTENTS

	Item		Page
Part I	1.	Financial Statements	3
	2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
	4T.	Controls and Procedures	39
Part II	1.	Legal Proceedings	39
	1A.	Risk Factors	40
	6.	Exhibits	40

AVAILABLE INFORMATION

American General Finance, Inc. (AGFI) files annual, quarterly, and current reports and other information with the Securities and Exchange Commission (the SEC). The SEC's website, www.sec.gov, contains these reports and other information that registrants (including AGFI) file electronically with the SEC.

The following reports are available free of charge on our website, www.agfinance.com, as soon as reasonably practicable after we file them with or furnish them to the SEC:

- Annual Reports on Form 10-K;
- Quarterly Reports on Form 10-Q;
- Current Reports on Form 8-K; and
- amendments to those reports.

The information on our website is not incorporated by reference into this report. The website addresses listed above are provided for the information of the reader and are not intended to be active links.

Part I – FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN GENERAL FINANCE, INC. AND SUBSIDIARIES Condensed Consolidated Statements of Income (Unaudited)

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenues				
Finance charges	\$656,660	\$634,633	\$1,938,205	\$1,865,203
Mortgage banking	9,585	78,091	71,330	145,212
Insurance	42,774	38,253	126,039	115,568
Investment	23,617	22,956	67,285	67,069
Loan brokerage fees	18,820	-	62,010	-
Net service fees from affiliates	883	690	(175,700)	56,554
Other	(6,933)	(63,283)	28,514	(65,138)
Total revenues	745,406	711,340	2,117,683	2,184,468
Expenses				
Interest expense	315,990	306,420	936,049	862,155
Operating expenses:				
Salaries and benefits	136,527	136,708	430,771	423,921
Other operating expenses	106,421	76,971	322,908	224,904
Provision for finance receivable losses	99,437	39,796	240,517	121,851
Insurance losses and loss adjustment expenses	16,070	12,942	48,791	43,048
Total expenses	674,445	572,837	1,979,036	1,675,879
Income before provision for income taxes	70,961	138,503	138,647	508,589
Provision for Income Taxes	22,277	45,456	37,713	179,048
Net Income	\$ 48,684	\$ 93,047	\$ 100,934	\$ 329,541

See Notes to Condensed Consolidated Financial Statements.

AMERICAN GENERAL FINANCE, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)

(dollars in thousands)	September 30, 2007	December 31, 2006
Assets		
Net finance receivables:		
Real estate loans	\$19,458,511	\$18,906,033
Non-real estate loans	3,810,510	3,522,594
Retail sales finance	2,095,420	1,908,434
Net finance receivables	25,364,441	24,337,061
Allowance for finance receivable losses	(535,000)	(488,700)
Net finance receivables, less allowance for finance receivable losses	24,829,441	23,848,361
Real estate loans held for sale	404,589	1,121,579
Investment securities	1,392,691	1,376,892
Cash and cash equivalents	217,074	235,149
Other assets	1,841,267	1,189,431
Total assets	\$28,685,062	\$27,771,412
Liabilities and Shareholder's Equity		
Long-term debt	\$19,161,277	\$19,189,292
Short-term debt	5,424,915	4,722,265
Insurance claims and policyholder liabilities	396,268	391,517
Other liabilities	888,691	567,712
Accrued taxes	15,511	11,820
Total liabilities	25,886,662	24,882,606
Shareholder's equity:		
Common stock	1,000	1,000
Additional paid-in capital	1,096,312	1,016,305
Accumulated other comprehensive (loss) income	(33,883)	24,460
Retained earnings	1,734,971	1,847,041
Total shareholder's equity	2,798,400	2,888,806
Total liabilities and shareholder's equity	\$28,685,062	\$27,771,412

See Notes to Condensed Consolidated Financial Statements.

AMERICAN GENERAL FINANCE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

Nine Months Ended September 30, (dollars in thousands)	2007	2006
Cash Flows from Operating Activities		
Net income	\$ 100,934	\$ 329,541
Reconciling adjustments:		
Provision for finance receivable losses	240,517	121,851
Depreciation and amortization	118,637	106,728
Deferral of finance receivable origination costs	(57,070)	(57,630)
Deferred income tax benefit	(106,643)	(5,660)
Origination of real estate loans held for sale	(4,191,295)	(6,128,797)
Sales and principal collections of real estate loans held for sale	4,929,649	5,516,579
Net gain on sales of real estate loans held for sale	(83,727)	(111,345)
Provision for warranty reserve	62,363	16,883
Change in other assets and other liabilities	151,957	22,718
Change in insurance claims and policyholder liabilities	4,751	(11,451)
Change in taxes receivable and payable	10,863	1,195
Other, net	(5,195)	(6,575)
Net cash provided by (used for) operating activities	1,175,741	(205,963)
Cash Flows from Investing Activities		
Finance receivables originated or purchased	(6,876,437)	(6,755,153)
Principal collections on finance receivables	5,776,663	6,045,679
Net cash paid in acquisition of Ocean Finance and Mortgages Limited	(125,025)	-
Investment securities purchased	(126,220)	(153,874)
Investment securities called and sold	64,514	115,316
Investment securities matured	26,665	5,125
Change in premiums on finance receivables purchased and deferred charges	(2,397)	(711)
Other, net	(8,425)	(19,225)
Net cash used for investing activities	(1,270,662)	(762,843)
Cash Flows from Financing Activities		
Proceeds from issuance of long-term debt	2,882,925	2,211,067
Repayment of long-term debt	(3,221,690)	(2,263,852)
Change in short-term debt	552,645	1,229,570
Capital contribution from parent	76,000	-
Dividends paid	(213,004)	(229,992)
Net cash provided by financing activities	76,876	946,793
Effect of exchange rate changes	(30)	-
Decrease in cash and cash equivalents	(18,075)	(22,013)
Cash and cash equivalents at beginning of period	235,149	192,531
Cash and cash equivalents at end of period	\$ 217,074	\$ 170,518

See Notes to Condensed Consolidated Financial Statements.

AMERICAN GENERAL FINANCE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net income	\$ 48,684	\$ 93,047	\$100,934	\$329,541
Other comprehensive (loss) gain:				
Net unrealized (losses) gains on:				
Investment securities	10,199	39,426	(16,449)	(10,768)
Swap agreements	(58,045)	(11,028)	(79,317)	(3,321)
Foreign currency translation adjustments	1,154	-	2,750	-
Retirement plan liabilities adjustment	-	-	-	(2,516)
Income tax effect:				
Net unrealized losses (gains) on:				
Investment securities	(6,090)	(13,799)	3,236	3,769
Swap agreements	20,317	3,859	27,762	1,162
Retirement plan liabilities adjustment	-	-	-	981
Other comprehensive (loss) gain, net of tax, before reclassification adjustments	(32,465)	18,458	(62,018)	(10,693)
Reclassification adjustments for realized losses included in net income:				
Investment securities	1,561	158	3,862	1,708
Swap agreements	598	1,027	1,793	3,509
Income tax effect:				
Investment securities	(547)	(55)	(1,352)	(598)
Swap agreements	(210)	(359)	(628)	(1,228)
Reclassification adjustments included in net income, net of tax	1,402	771	3,675	3,391
Other comprehensive (loss) gain, net of tax	(31,063)	19,229	(58,343)	(7,302)
Comprehensive income	\$ 17,621	\$112,276	\$ 42,591	\$322,239

See Notes to Condensed Consolidated Financial Statements.

AMERICAN GENERAL FINANCE, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2007

Note 1. Basis of Presentation

American General Finance, Inc. will be referred to as “AGFI” or collectively with its subsidiaries, whether directly or indirectly owned, as the “Company”, “we”, or “our”. Effective June 29, 2007, AGFI became a direct wholly owned subsidiary of AIG Capital Corporation, a direct wholly owned subsidiary of American International Group, Inc. (AIG). AIG Capital Corporation holds full or majority interests in other AIG financial services affiliates, including International Lease Finance Corporation, AIG Consumer Finance Group, Inc., and AIG Equipment Finance Holdings, Inc. AGFI continues to be an indirect wholly owned subsidiary of AIG.

We prepared our condensed consolidated financial statements using accounting principles generally accepted in the United States (GAAP). These statements are unaudited. The statements include the accounts of AGFI and its subsidiaries, all of which are wholly owned. We eliminated all material intercompany accounts and transactions. We made estimates and assumptions that affect amounts reported in our financial statements and disclosures of contingent assets and liabilities. Ultimate results could differ from our estimates. You should read these statements in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2006. To conform to the 2007 presentation, we reclassified certain items in the prior period.

Note 2. Acquisition

Effective January 2, 2007, we acquired Ocean Finance and Mortgages Limited (Ocean), which is headquartered in Staffordshire, England. As a finance broker in the United Kingdom, Ocean currently offers primarily home owner loans, mortgages, and refinancings. We accounted for this acquisition using purchase accounting, which dictates that the total consideration for a business must be allocated among the fair values of all the underlying assets and liabilities acquired.

At the effective date, the purchase price (a portion in the form of a note payable and the remainder as an other liability) was \$251.0 million, consisting of \$60.6 million for net assets and \$190.4 million for intangibles. The majority of the tangible assets we acquired were real estate loans owned by Ocean and fixed assets, including a building, furniture and fixtures, automobiles, and computer software. We initially recorded \$110.7 million of the intangibles as goodwill and \$79.7 million as other intangibles. The other intangibles we acquired included trade names, non-compete agreements, lender panel (group of lenders for whom Ocean performs loan origination services), and customer relationships.

In second quarter 2007, we completed a valuation of the intangibles and tangible assets acquired. For the purpose of this valuation, fair value was defined as the amount at which an asset (or liability) could be bought (or sold) in a current transaction between willing parties. In our estimation of the fair values of Ocean’s assets, we relied upon variations of the valuation approaches described below:

- Income approach - estimates fair value based on the present value of the cash flows that Ocean is expected to generate in the future;
- Market approach - estimates fair value of an intangible based on arm’s-length exchange prices in actual transactions and on asking prices for comparable assets currently offered for sale; and
- Cost approach - estimates fair value using the concept of replacement cost as an indicator of value.

Based upon this valuation and updated estimates of future additional consideration, we adjusted the purchase price to \$245.7 million, consisting of \$71.2 million for net assets acquired, \$68.7 million for goodwill, and \$105.8 million for other intangibles. Additional consideration may be paid in the future based upon Ocean's future earnings.

We included Ocean's operating results in our financial statements beginning January 2, 2007, the effective date of the acquisition.

Note 3. Additional Significant Accounting Policies Resulting from Ocean Acquisition

Loan Brokerage Fees Revenue Recognition

We recognize the following as loan brokerage fees revenue:

- commissions from lenders for loans brokered to them;
- fees from customers to process their loans; and
- fees from other credit originators for customer referrals.

We recognize these commissions and fees in loan brokerage fees revenues when earned.

Foreign Currency Translation

The functional currency of our operations in the United Kingdom is the local currency, the British Pound. We translate financial statement amounts expressed in British pounds into U.S. dollars using Statement of Financial Accounting Standards (SFAS) No. 52, "Foreign Currency Translation". We translate functional currency assets and liabilities into U.S. dollars using exchange rates prevailing at the balance sheet date. We translate revenues and expenses using monthly average exchange rates for the period. We record the translation adjustments, net of tax, as a separate component of other comprehensive income, which we include in stockholder's equity.

Note 4. Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in income tax positions. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of an income tax position taken, or expected to be taken, in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and additional disclosures. Our adoption of FIN 48 on January 1, 2007, did not require an adjustment to the liability for unrecognized tax benefits. Excluding interest and penalties, the total amount of our unrecognized tax benefit at January 1, 2007, and September 30, 2007, was \$5 million, all of which would affect the effective tax rate if recognized. We had accrued \$5.3 million at January 1, 2007, and \$5.9 million at September 30, 2007, for the payment of interest (net of the federal benefit) and penalties. We recognize interest and penalties related to unrecognized tax benefits in income tax expense. We anticipate a \$1.2 million reduction to the total amount of unrecognized tax benefits and a \$0.5 million reduction for the payment of interest (net of the federal benefit) within the next twelve months due to the statute of limitations expiring.

AGFI and its eligible U.S. subsidiaries file a consolidated U.S. federal income tax return with AIG. The Internal Revenue Service (IRS) has completed examinations of AIG's tax returns through 1996. The IRS has also completed examinations of our former direct parent company's tax returns through 1999. Although a Revenue Agent's Report has not yet been issued for the years ended December 31, 2000, 2001, or 2002, AIG has received a notice of proposed adjustment for certain items during that period from the IRS. The portion of proposed adjustments attributable to AGFI was immaterial.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements regarding fair value measurements. SFAS 157 will be effective January 1, 2008. We are currently assessing the effect, which is dependent on market conditions at the date of adoption, of implementing this guidance.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159). SFAS 159 permits entities to choose to measure at fair value many financial instruments and certain other items that are not currently required to be measured at fair value. Subsequent changes in fair value for designated items will be required to be reported in earnings in the period in which the change occurs. SFAS 159 also establishes presentation and disclosure requirements for similar types of assets and liabilities measured at fair value. SFAS 159 will be effective January 1, 2008. We are currently assessing the effect of implementing this guidance, which depends on the nature and extent of items we elect to measure at fair value, upon initial application of the standard on January 1, 2008.

Note 5. Finance Receivables

Components of net finance receivables by type were as follows:

September 30, 2007 (dollars in thousands)	Real Estate Loans	Non-Real Estate Loans	Retail Sales Finance	Total
Gross receivables	\$19,441,797	\$4,144,772	\$2,274,136	\$25,860,705
Unearned finance charges and points and fees	(193,530)	(423,029)	(218,424)	(834,983)
Accrued finance charges	127,570	47,546	40,269	215,385
Deferred origination costs	26,244	40,820	-	67,064
Premiums, net of discounts	56,430	401	(561)	56,270
Total	\$19,458,511	\$3,810,510	\$2,095,420	\$25,364,441

December 31, 2006 (dollars in thousands)	Real Estate Loans	Non-Real Estate Loans	Retail Sales Finance	Total
Gross receivables	\$18,868,800	\$3,851,525	\$2,087,759	\$24,808,084
Unearned finance charges and points and fees	(173,920)	(414,807)	(212,344)	(801,071)
Accrued finance charges	125,773	46,368	34,002	206,143
Deferred origination costs	28,111	39,015	-	67,126
Premiums, net of discounts	57,269	493	(983)	56,779
Total	\$18,906,033	\$3,522,594	\$1,908,434	\$24,337,061

Unused credit limits extended by AIG Federal Savings Bank (AIG Bank), a non-subsiary affiliate (whose private label finance receivables are fully participated to the Company), and the Company to their customers were \$6.2 billion at September 30, 2007, and \$5.3 billion at December 31, 2006. Our experience has shown that the funded amounts have been substantially less than the credit limits. All unused credit limits, in part or in total, can be cancelled at the discretion of AIG Bank and the Company.

Note 6. Allowance for Finance Receivable Losses

Changes in the allowance for finance receivable losses were as follows:

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Balance at beginning of period	\$507,500	\$500,501	\$ 488,700	\$ 522,831
Provision for finance receivable losses	99,437	39,796	240,517	121,851
Charge-offs	(83,711)	(67,533)	(231,772)	(203,724)
Recoveries	11,774	11,736	37,555	43,542
Balance at end of period	\$535,000	\$484,500	\$ 535,000	\$ 484,500

Note 7. Derivative Financial Instruments

Our principal borrowing subsidiary is American General Finance Corporation (AGFC), a wholly owned subsidiary of AGFI. AGFC uses derivative financial instruments in managing the cost of its debt and its return on real estate loans held for sale but is neither a dealer nor a trader in derivative financial instruments. AGFC's derivative financial instruments consist of: interest rate, cross currency, and equity-indexed swap agreements; interest rate lock commitments; and forward sale commitments.

While all of our interest rate, cross currency, and equity-indexed swap agreements mitigate economic exposure of related debt, not all of these swap agreements currently qualify as cash flow or fair value hedges under GAAP. At September 30, 2007, equity-indexed debt was immaterial.

We recognize all derivatives on our consolidated balance sheet at their fair value. We include derivatives in asset positions in other assets and those in liability positions in other liabilities. We record net unrealized gains and losses on derivatives in cash flows from operating activities on our consolidated statement of cash flows.

We designate each derivative as:

- a hedge of the variability of cash flows that we will receive or pay in connection with a recognized asset or liability (a "cash flow" hedge);
- a hedge of the fair value of a recognized asset or liability (a "fair value" hedge); or
- a derivative that does not qualify as either a cash flow or fair value hedge.

We record the effective portion of the changes in the fair value of a derivative that is highly effective and that we designate and qualifies as a cash flow hedge, in accumulated other comprehensive income, net of tax, until earnings are affected by the variability of cash flows of the hedged transaction. We record the effective portion of the changes in the fair value of a derivative that is highly effective and that we designate and qualifies as a fair value hedge, along with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk, in current period earnings in other revenues. We record changes in the fair value of a derivative that does not qualify as either a cash flow or fair value hedge and changes in the fair value of hedging instruments measured as ineffectiveness in current period earnings in other revenues.

We formally document all relationships between derivative hedging instruments and hedged items, as well as our risk-management objectives and strategies for undertaking various hedge transactions and our method to assess ineffectiveness. We link all derivatives that we designate as cash flow or fair value hedges to specific assets and liabilities on the balance sheet. For certain types of hedge relationships meeting specific criteria, SFAS No. 133 “Accounting for Derivative Instruments and Hedging Activities” allows a “shortcut” method, which provides for an assumption of zero ineffectiveness. Under this method, the periodic assessment of effectiveness is not required. The Company’s use of this method is limited to interest rate swaps that hedge certain borrowings. At September 30, 2007, certain of AGFC’s cash flow and fair value hedges which qualified for hedge accounting treatment qualified under this method. For other AGFC cash flow and fair value hedges, we perform and document an initial prospective assessment of hedge effectiveness to demonstrate that the hedge is expected to be highly effective in future periods. Subsequently, on a regular basis, we perform a prospective hedge effectiveness assessment to demonstrate the continued expectation that the hedge will be highly effective in future periods and a retrospective hedge effectiveness assessment to demonstrate that the hedge was effective in the most recent period.

We discontinue hedge accounting prospectively when:

- the derivative is no longer effective in offsetting changes in the cash flows or fair value of a hedged item;
- we sell, terminate, or exercise the derivative and/or the hedged item or they expire; or
- we change our objectives or strategies and designating the derivative as a hedging instrument is no longer appropriate.

For discontinued asset and liability fair value hedges, we begin amortizing the cumulative basis adjustment on the hedged item into earnings over the remaining life of the hedged item using the level yield method. For cash flow hedges that are discontinued for reasons other than the forecasted transaction is not probable of occurring, we begin reclassifying the accumulated other comprehensive income adjustment to earnings when earnings are affected by the hedged item. There was no discontinuance of qualified hedge relationships during the first nine months of 2007.

During the three and nine months ended September 30, 2007, we recognized a net loss of \$0.2 million in other revenues related to the ineffective portion of our fair value hedging instruments. There were no amounts recognized in 2006. We included all components of each derivative’s gain or loss in the assessment of hedge ineffectiveness.

We immediately recognize the portion of the gain or loss in the fair value of a derivative instrument in a cash flow hedge that represents hedge ineffectiveness in current period earnings. We recognized a gain related to ineffectiveness of \$2.1 million for the three months ended September 30, 2007, and \$2.4 million for the nine months ended September 30, 2007, in other revenues. There were no amounts recognized in 2006. We included all components of each derivative’s gain or loss in the assessment of hedge ineffectiveness.

At September 30, 2007, we expect \$15.2 million of the deferred net gain on cash flow hedges in accumulated other comprehensive loss to be reclassified to earnings during the 12 months ending September 30, 2008. For the three and nine months ended September 30, 2007, there were no instances in which we reclassified amounts from other comprehensive income to earnings as a result of a discontinuance of a cash flow hedge, because it was probable the original forecasted cash flows would not occur at the end of the specified time period.

Note 8. Accumulated Other Comprehensive (Loss) Income

Components of accumulated other comprehensive (loss) income were as follows:

(dollars in thousands)	September 30, 2007	December 31, 2006
Net unrealized (losses) gains on:		
Swap agreements	\$(41,057)	\$ 9,333
Investment securities	7,297	18,000
Retirement plan liabilities adjustment	(2,873)	(2,873)
Foreign currency translation adjustments	2,750	-
Accumulated other comprehensive (loss) income	\$(33,883)	\$24,460

Note 9. Supplemental Cash Flow Information

Supplemental disclosure of non-cash activities for the acquisition of Ocean was as follows:

Nine Months Ended September 30, (dollars in thousands)	2007
Fair value of assets acquired	\$ 308,285
Net cash paid in acquisition	(125,025)
Liabilities assumed	(87,344)
Note payable and remaining other liabilities	\$ 95,916

Note 10. Segment Information

We have three business segments: branch, centralized real estate, and insurance. We define our segments by types of financial service products we offer, nature of our production processes, and methods we use to distribute our products and to provide our services, as well as our management reporting structure.

In our branch business segment, we:

- originate real estate loans secured by first or second mortgages on residential real estate, which may be closed-end accounts or open-end home equity lines of credit and are generally considered non-conforming;
- originate secured and unsecured non-real estate loans;
- purchase retail sales contracts and provide revolving retail sales financing services arising from the retail sale of consumer goods and services by retail merchants; and
- purchase private label finance receivables originated by AIG Bank under a participation agreement.

To supplement our lending and retail sales financing activities, we purchase portfolios of real estate loans, non-real estate loans, and retail sales finance receivables originated by other lenders. We also offer credit and non-credit insurance and ancillary products to all eligible branch customers.

In our centralized real estate business segment, we:

- originate residential real estate loans for sale to investors with servicing released to the purchaser;
- originate residential real estate loans for transfer to the centralized real estate servicing center; and
- service a portfolio of residential real estate loans generated through:
 - portfolio acquisitions from third party lenders;
 - correspondent relationships;
 - our mortgage origination subsidiaries;
 - refinancing existing mortgages; or
 - advances on home equity lines of credit.

Previously, we provided services for AIG Bank's origination and sale of non-conforming residential real estate loans. In first quarter 2006, Wilmington Finance, Inc. (WFI) and MorEquity, Inc., which are subsidiaries of AGFC, terminated their mortgage services agreements with AIG Bank and began originating non-conforming residential real estate loans held for sale to investors using their own state licenses.

In our insurance business segment, we write and reinsure credit life, credit accident and health, credit-related property and casualty, and credit involuntary unemployment insurance covering our customers and the property pledged as collateral through products that the branch business segment offers to its customers. We also offer non-credit insurance products. In addition, we monitor our finance receivables to ensure that the collateral is adequately protected, and if it is not adequately protected, we place insurance to cover the collateral.

The following tables display information about the Company's segments as well as reconciliations to the condensed consolidated financial statement amounts.

Three Months Ended September 30, 2007 (dollars in thousands)	Branch Segment	Centralized Real Estate Segment	Insurance Segment	All Other	Adjustments	Consolidated Total
Revenues:						
External:						
Finance charges	\$482,999	\$169,862	\$ -	\$ 3,799	\$ -	\$656,660
Insurance	143	-	40,885	1,746	-	42,774
Other	(1,620)	4,178	26,569	18,406	(1,561)	45,972
Intercompany	19,268	477	(16,273)	(3,472)	-	-
Pretax income (loss)	92,061	(26,892)	27,421	(20,068)	(1,561)	70,961

Three Months Ended September 30, 2006 (dollars in thousands)	Branch Segment	Centralized Real Estate Segment	Insurance Segment	All Other	Adjustments	Consolidated Total
Revenues:						
External:						
Finance charges	\$455,762	\$176,731	\$ -	\$ 2,140	\$ -	\$634,633
Insurance	-	-	38,253	-	-	38,253
Other	(2,579)	64,926	24,129	(47,864)	(158)	38,454
Intercompany	18,260	491	(15,325)	(3,426)	-	-
Pretax income (loss)	110,908	27,145	27,103	(26,495)	(158)	138,503

Nine Months Ended September 30, 2007 (dollars in thousands)	Branch Segment	Centralized Real Estate Segment	Insurance Segment	All Other	Adjustments	Consolidated Total
Revenues:						
External:						
Finance charges	\$1,421,535	\$ 503,737	\$ -	\$12,933	\$ -	\$1,938,205
Insurance	433	-	119,572	6,034	-	126,039
Other	(9,764)	(105,651)	75,183	97,533	(3,862)	53,439
Intercompany	56,924	1,389	(47,579)	(10,734)	-	-
Pretax income (loss)	312,427	(232,287)	75,607	(13,238)	(3,862)	138,647

Nine Months Ended September 30, 2006 (dollars in thousands)	Branch Segment	Centralized Real Estate Segment	Insurance Segment	All Other	Adjustments	Consolidated Total
Revenues:						
External:						
Finance charges	\$1,323,247	\$531,275	\$ -	\$ 10,681	\$ -	\$1,865,203
Insurance	-	-	115,568	-	-	115,568
Other	(10,990)	187,103	72,817	(43,525)	(1,708)	203,697
Intercompany	55,338	1,495	(46,381)	(10,452)	-	-
Pretax income (loss)	347,528	107,737	77,229	(22,197)	(1,708)	508,589

The “All Other” column includes corporate revenues and expenses such as management and administrative revenues and expenses and fair value adjustments of derivatives and translation adjustments of foreign currency denominated debt that are not considered pertinent in determining segment performance. Beginning in 2007, the “All Other” column also includes revenues and pretax income from our foreign subsidiary, Ocean, which we acquired in January 2007.

The “Adjustments” column includes the following:

- realized gains (losses) on investments for other revenues; and
- realized gains (losses) on investments for pretax income.

Note 11. Provision for Income Taxes

In first quarter 2007, we recognized a cumulative deferred tax benefit of \$8.6 million resulting from the correction of an accounting error. In connection with the January 1, 2003, purchase business combination of WFI, we identified \$40.9 million of intangible assets in accordance with SFAS No. 141 “Business Combinations” (SFAS 141) for which there was no corresponding tax basis. In years 2003 through 2006, we recorded a cumulative \$8.6 million in current tax expense associated with the amortization of the intangible assets. Upon review of the amortization of these intangible assets, we concluded that a deferred tax liability of \$14.3 million should have been established in accordance with SFAS No. 109 “Accounting for Income Taxes” at the time of the purchase business combination and that, for years 2003 through 2006, the amortization of the intangible assets should have resulted in a cumulative deferred tax benefit of \$8.6 million. Since no deferred tax liability was initially recorded, we recognized a cumulative deferred tax benefit of \$8.6 million in first quarter 2007. We further concluded that, in accordance with SFAS 141, the \$14.3 million deferred tax liability that should have been recorded at the time of the purchase business combination would have increased the amount of goodwill recorded in connection with the purchase business combination. Therefore, in first quarter 2007, we increased the \$54.1 million of goodwill initially recorded in connection with the purchase business combination of WFI to \$68.4 million.

Note 12. Supervisory Agreement

As disclosed in AGFI’s Current Report on Form 8-K dated June 7, 2007, AIG Bank, WFI, and AGFI entered into a Supervisory Agreement with the Office of Thrift Supervision (OTS) on June 7, 2007. The Supervisory Agreement pertains to certain mortgage loans originated in the name of AIG Bank by WFI pursuant to a mortgage services agreement between WFI and AIG Bank. The mortgage services agreement was terminated in February 2006.

Pursuant to the terms of the Supervisory Agreement, AIG Bank, WFI, and AGFI have implemented a financial remediation program whereby certain borrowers may be provided loans on more affordable terms and/or reimbursed for certain fees. Pursuant to the requirements of the Supervisory Agreement, we have engaged the services of an external consultant to monitor, evaluate, and periodically report to the OTS on our compliance with the remediation program. The Supervisory Agreement will remain in effect until terminated, modified or suspended in writing by the OTS. Failure to comply with the terms of the Agreement could result in the initiation of formal enforcement action by the OTS.

AIG Bank, WFI, and AGFI have also made a commitment to donate a total of \$15 million over a three-year period to certain not-for-profit organizations to support their efforts to promote financial literacy and credit counseling.

In accordance with WFI's surviving obligations under the mortgage services agreement with AIG Bank, we established a reserve of \$128 million (pretax) as of March 31, 2007, reflecting management's then best estimate of the expected costs of the remediation program. After completion of discussions with the OTS and the execution of the Supervisory Agreement, we recorded an additional reserve of \$50 million, inclusive of the \$15 million donation commitment, in second quarter 2007. As the estimate is based on judgments and assumptions made by management, the actual cost of implementing the remediation program may differ from this estimate. Also in second quarter 2007, AIG contributed capital to AGFI totaling \$76 million to support AGFI's leverage at its targeted level as of June 30, 2007. As of September 30, 2007, we have made reimbursements of \$1.7 million for payments made by AIG Bank to refund certain fees to customers pursuant to the terms of the Supervisory Agreement.

Note 13. Legal Settlement

On January 19, 2007, HSA Residential Mortgage Services of Texas, Inc. (RMST), a subsidiary of AGFI, and State Bank of Long Island (SBLI) reached an agreement to settle all claims between them relating to Island Mortgage Network, Inc., including all claims asserted in the matter of HSA Residential Mortgage Services of Texas, Inc. v. State Bank of Long Island, U.S. District Court for the Eastern District of New York, 2:05-cv-03185 (JS). As part of that settlement, SBLI agreed to pay RMST \$65 million. This settlement was completed on January 24, 2007, and RMST's lawsuit against SBLI has been dismissed.

Note 14. Legal Contingencies

AGFI and certain of its subsidiaries are parties to various legal proceedings, including certain purported class action claims, arising in the ordinary course of business. Some of these proceedings are pending in jurisdictions that permit damage awards disproportionate to the actual economic damages alleged to have been incurred. Based upon information presently available, we believe that the total amounts, if any, that will ultimately be paid arising from these legal proceedings will not have a material adverse effect on our consolidated results of operations or financial position. However, the continued occurrences of large damage awards in general in the United States, including, in some jurisdictions, large punitive damage awards that bear little or no relation to actual economic damages incurred by plaintiffs, create the potential for an unpredictable result in any given proceeding.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

REPORT OF MANAGEMENT'S RESPONSIBILITY

The Company's management is responsible for the integrity and fair statement of our condensed consolidated financial statements and all other financial information presented in this report. We prepared our condensed consolidated financial statements using GAAP. We made estimates and assumptions that affect amounts recorded in the financial statements and disclosures of contingent assets and liabilities.

The Company's management is responsible for establishing and maintaining an effective system of internal control over financial reporting. We established this system to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, that transactions are recorded in accordance with GAAP under management's direction and that financial records are reliable to prepare financial statements. We support the internal control structure with careful selection, training and development of qualified personnel. The Company's employees are subject to AIG's Code of Conduct designed to assure that all employees perform their duties with honesty and integrity. Also, AIG's Director, Executive Officer and Senior Financial Officer Code of Business Conduct and Ethics covers such directors and officers of AIG and its subsidiaries, including the Company's Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer. We do not allow loans to executive officers. The aforementioned system includes a documented organizational structure and policies and procedures that we communicate throughout the Company. Our internal auditors report directly to the Senior Vice President and Director of Internal Audit of AIG to strengthen independence. They continually monitor the operation of our internal controls and report their findings to the Company's management, AIG's management, and AIG's internal audit department. We take prompt action to correct control deficiencies and improve the system.

All internal control structures and procedures for financial reporting, no matter how well designed, have inherent limitations. Even internal controls and procedures determined to be effective may not prevent or detect all misstatements. Changes in conditions or the complexity of compliance with policies and procedures creates a risk that the effectiveness of our internal control structure and procedures for financial reporting may vary over time.

The Company's management, including its Chief Executive Officer and its Chief Financial Officer, evaluates the effectiveness of our disclosure controls and procedures as of the end of each quarter and the changes in internal control over financial reporting for the quarter using the framework and criteria established in "Internal Control – Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on an evaluation of the disclosure controls and procedures as of September 30, 2007, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures have functioned effectively and that the condensed consolidated financial statements fairly present our consolidated financial position and the results of our operations for the periods presented. There have been no changes in the Company's internal control over financial reporting during the three months ended September 30, 2007, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

American General Finance, Inc.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and our other publicly available documents may include, and the Company's officers and representatives may from time to time make, statements which may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not historical facts but instead represent only our belief regarding future events, many of which are inherently uncertain and outside of our control. These statements may address, among other things, our strategy for growth, product development, regulatory approvals, market position, financial results and reserves. Our actual results and financial condition may differ from the anticipated results and financial condition indicated in these forward-looking statements. The important factors, many of which are outside of our control, that could cause our actual results to differ, possibly materially, include, but are not limited to, the following:

- changes in general economic conditions, including the interest rate environment in which we conduct business, the residential housing market, and the financial markets through which we access capital and invest cash flows from the insurance business segment;
- changes in the competitive environment in which we operate, including the demand for our products, customer responsiveness to our distribution channels, and the formation of business combinations among our competitors;
- the effectiveness of our credit risk scoring models in assessing the risk of customer unwillingness or inability to repay;
- shifts in collateral values, contractual delinquencies, and credit losses;
- levels of unemployment and personal bankruptcies;
- our ability to access capital markets and maintain our credit rating position;
- changes in laws, regulations, or regulator policies and practices that affect our ability to conduct business or the manner in which we conduct business, such as licensing requirements, pricing limitations or restrictions on the method of offering products, as well as changes that may result from increased regulatory scrutiny of the sub-prime lending industry;
- the costs and effects of any litigation or governmental inquiries or investigations that are determined adversely to the Company;
- changes in accounting standards or tax policies and practices and the application of such new policies and practices to the manner in which we conduct business;
- our ability to integrate the operations of any acquisitions into our businesses;
- changes in our ability to attract and retain employees or key executives to support our businesses;
- natural or accidental events such as earthquakes, hurricanes, tornadoes, fires, or floods affecting our customers and collateral and our branches or other operating facilities; and
- war, acts of terrorism, riots, civil disruption, pandemics, or other events disrupting business or commerce.

We also direct readers to other risks and uncertainties discussed in this report, including in "Risk Factors" in Part II, Item 1A, and in other documents we file with the SEC, including in "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2006. We are under no obligation (and expressly disclaim any obligation) to update or alter any forward-looking statement, whether written or oral, that we may make from time to time, whether as a result of new information, future events or otherwise.

CRITICAL ACCOUNTING ESTIMATES

We consider our most critical accounting estimate to be the establishment of an adequate allowance for finance receivable losses. Our Credit Strategy and Policy Committee evaluates our finance receivable portfolio monthly. The Credit Strategy and Policy Committee exercises its judgment, based on quantitative analyses, qualitative factors, and each committee member's experience in the consumer finance industry, when determining the amount of the allowance for finance receivable losses. If the committee's review concludes that an adjustment is necessary, we charge or credit this adjustment to expense through the provision for finance receivable losses. We consider this estimate to be a critical accounting estimate that affects the net income of the Company in total and the pretax operating income of our branch and centralized real estate business segments. We document the adequacy of the allowance for finance receivable losses, the analysis of the trends in credit quality, and the current economic conditions considered by the Credit Strategy and Policy Committee to support its conclusions. See Provision for Finance Receivable Losses for further information on the allowance for finance receivable losses.

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements as defined by SEC rules.

CAPITAL RESOURCES AND LIQUIDITY

Capital Resources

Our capital varies primarily with the amount of net finance receivables and real estate loans held for sale.

September 30, (dollars in millions)	2007		2006	
	Amount	Percent	Amount	Percent
Long-term debt	\$19,161.3	70%	\$18,464.3	70%
Short-term debt	5,424.9	20	5,039.0	19
Total debt	24,586.2	90	23,503.3	89
Equity	2,798.4	10	2,871.3	11
Total capital	\$27,384.6	100%	\$26,374.6	100%
Net finance receivables	\$25,364.4		\$24,331.2	
Real estate loans held for sale	\$ 404.6		\$ 860.8	

We issue a combination of fixed-rate debt, principally long-term, and floating-rate debt, both long-term and short-term. AGFC obtains our fixed-rate funding by issuing public or private long-term debt with maturities primarily ranging from three to ten years. AGFC and AGFI obtain most of our floating-rate funding by issuing and refinancing commercial paper and by issuing long-term, floating-rate debt. We issue commercial paper, with maturities ranging from 1 to 270 days, to banks, insurance companies, corporations, and other institutional investors. At September 30, 2007, short-term debt included \$5.1 billion of commercial paper. AGFC also issues extendible commercial notes with initial maturities of up to 90 days, which AGFC may extend to 390 days. At September 30, 2007, short-term debt included \$116.9 million of extendible commercial notes.

AGFC uses interest rate, cross currency, and equity-indexed swap agreements in conjunction with specific long-term debt issuances. AGFC's objective is to achieve net U.S. dollar, fixed or floating interest rate exposure at costs not materially different from costs AGFC would have incurred by issuing U.S. dollar debt for the same net exposure without using derivatives.

We base our mix of debt and equity, or “leverage”, primarily upon maintaining leverage that supports cost-effective funding. AGFI has historically paid dividends to (or received capital contributions from) its parent to manage to our targeted leverage. Certain AGFI and AGFC financing agreements effectively limit the amount of dividends they are permitted to pay. AGFI’s ability to pay dividends depends on dividends or other funds it receives from its subsidiaries, primarily AGFC.

From 2001 through 2006, we targeted our leverage to be a ratio of 9.0 to 1 of debt to tangible equity, where tangible equity equaled total shareholder’s equity less goodwill and accumulated other comprehensive income. Beginning in the first quarter of 2007, we changed our method of measuring target leverage primarily to accommodate AGFC’s issuance of \$350.0 million aggregate principal amount of 60-year junior subordinated debentures (“hybrid debt”) following our acquisition of Ocean in January 2007. The debentures underlie a series of trust preferred securities sold by a trust sponsored by AGFC in a Rule 144A/Regulation S offering. AGFC can redeem the debentures at par beginning in January 2017. Based upon the terms of these junior subordinated debentures, credit rating agencies have acknowledged that until January 2017, at least 75% of such hybrid debt will be afforded equity treatment in their measurement of AGFC’s leverage. Accordingly, management uses this measurement in the preparation of presentations for its rating agencies.

Accordingly, beginning in first quarter 2007, our targeted leverage was changed to 9.0 to 1 of adjusted debt to adjusted tangible equity, where adjusted debt equals total debt less 75% of hybrid debt and where adjusted tangible equity equals total shareholder’s equity plus 75% of hybrid debt and less goodwill, other intangibles, and accumulated other comprehensive income. Based on this definition, our adjusted tangible leverage at September 30, 2007, was 9.10x compared to 9.04x at September 30, 2006, and 9.12x at December 31, 2006.

Reconciliations of total debt to adjusted debt were as follows:

(dollars in millions)	September 30, 2007	September 30, 2006	December 31, 2006
Total debt	\$24,586.2	\$23,503.3	\$23,911.6
75% of hybrid debt	(261.9)	-	-
Adjusted debt	\$ 24,324.3	\$23,503.3	\$23,911.6

Reconciliations of equity to adjusted tangible equity were as follows:

(dollars in millions)	September 30, 2007	September 30, 2006	December 31, 2006
Equity	\$2,798.4	\$2,871.3	\$2,888.8
75% of hybrid debt	261.9	-	-
Goodwill	(307.7)	(224.7)	(224.7)
Other intangibles	(114.5)	(19.9)	(18.7)
Accumulated other comprehensive loss (income)	33.9	(25.6)	(24.5)
Adjusted tangible equity	\$ 2,672.0	\$2,601.1	\$2,620.9

Liquidity Facilities

We maintain credit facilities to support the issuance of commercial paper and to provide an additional source of funds for operating requirements. AGFC does not guarantee any borrowings of AGFI.

At September 30, 2007, AGFC had committed credit facilities totaling \$4.753 billion, including a \$2.125 billion multi-year credit facility and a \$2.625 billion 364-day credit facility. The 364-day facility allows for the conversion by the borrower of any outstanding loan at expiration into a one-year term loan. AGFI

is an eligible borrower under the 364-day facility for up to \$400.0 million. The annual commitment fees for the facilities are based upon AGFC's long-term credit ratings and averaged 0.06% at September 30, 2007. There were no amounts outstanding under these committed credit facilities at September 30, 2007 or 2006.

At September 30, 2007, AGFI and certain of its subsidiaries also had uncommitted credit facilities of \$399.0 million, which included credit facilities to support the operations of Ocean. Portions of these uncommitted facilities could be increased depending upon lender ability to participate its loans under these facilities. Outstanding borrowings under these uncommitted credit facilities totaled \$125.3 million at September 30, 2007, and \$60.0 million at September 30, 2006.

Liquidity

Our sources of funds include cash flows from operations, issuances of long-term debt in domestic and foreign markets, short-term borrowings in the commercial paper market, borrowings from banks under credit facilities, sales of finance receivables, and securitizations. AGFI has also received capital contributions from its parent to support finance receivable growth and maintain targeted leverage.

We believe that our overall sources of liquidity will continue to be sufficient to satisfy our operational requirements and financial obligations. The principal factors that could decrease our liquidity are customer non-payment and an inability to access capital markets. The principal factors that could increase our cash needs are significant increases in net originations and purchases of finance receivables. We intend to mitigate liquidity risk by continuing to operate the Company utilizing the following existing strategies:

- maintaining a finance receivable portfolio comprised primarily of real estate loans, which generally represent a lower risk of customer non-payment;
- monitoring finance receivables using our credit risk and asset/liability management systems;
- maintaining an investment securities portfolio of predominantly investment grade, liquid securities; and
- maintaining a capital structure appropriate to our asset base.

Principal sources and uses of cash were as follows:

Nine Months Ended September 30, (dollars in millions)	2007	2006
Principal sources of cash:		
Operations	\$1,175.7	\$ -
Net issuances of debt	213.9	1,176.8
Capital contributions	76.0	-
Total	\$1,465.6	\$1,176.8
Principal uses of cash:		
Net originations and purchases of finance receivables	\$1,099.8	\$ 709.5
Dividends paid	213.0	230.0
Operations	-	206.0
Total	\$1,312.8	\$1,145.5

We believe that consistent execution of our business strategies should allow continued access to capital markets to issue our commercial paper and long-term debt. We have implemented programs and operating guidelines that are intended to maintain adequate liquidity, to mitigate the impact of an inability to access capital markets, and to provide contingent funding sources. These programs and guidelines include the following:

- We manage commercial paper as a percentage of total debt. At September 30, 2007, that percentage was 21% compared to 19% at September 30, 2006.
- We spread commercial paper maturities throughout upcoming weeks and months.
- We limit the amount of commercial paper that any one investor may hold.
- We maintain credit facilities to support the issuance of commercial paper and to provide an additional source of funds for operating requirements. At September 30, 2007, we had \$4.753 billion of committed bank credit facilities.
- At September 30, 2007, AGFC had the corporate authority to issue up to \$10.8 billion of senior long-term debt securities registered under the Securities Act of 1933 using AGFC's effective shelf registration statements.
- We have established AGFC as an issuer in foreign capital markets.
- We have the ability to sell, on a whole loan basis, or securitize, a portion of our finance receivables.
- We collect principal payments on our finance receivables, which totaled \$7.8 billion in the twelve months ended September 30, 2007. We chose to reinvest most of these collections, plus additional amounts from borrowings, in new finance receivables during this period, but these funds could be made available for other uses, if necessary.
- We have the ability to sell a portion of our insurance subsidiaries' investment securities and to dividend, subject to certain regulatory limits, cash from the securities sales.

SEGMENTS

See Note 10 of the Notes to Condensed Consolidated Financial Statements for a description of our business segments.

The following statistics are derived from the Company's segment reporting and are presented on a GAAP basis. We believe the following segment statistics are relevant to the reader because they are used by management to analyze and evaluate the performance of our business segments. We exclude the effect of items included in "All Other" from our segment reporting. "All Other" includes finance receivables and finance charges that are not identified as part of our business segments. Selected statistics for the business segments were as follows:

(dollars in millions)	Three Months Ended September 30,		At or for the Nine Months Ended September 30,	
	2007	2006	2007	2006
Net finance receivables:				
Branch real estate loans			\$ 8,355.0	\$ 7,920.1
Centralized real estate			10,986.2	11,240.0
Branch non-real estate loans			3,807.6	3,403.3
Branch retail sales finance			2,094.3	1,766.9
Total segment net finance receivables			25,243.1	24,330.3
All other			121.3	0.9
Net finance receivables			<u>\$25,364.4</u>	<u>\$24,331.2</u>
Yield:				
Branch real estate loans	10.97%	11.53%	11.15%	11.39%
Centralized real estate	6.16	6.19	6.21	6.23
Branch non-real estate loans	20.60	20.91	20.80	21.05
Branch retail sales finance	11.31	11.67	11.56	12.06
Total segment yield	10.35	10.35	10.44	10.30
All other effect on yield	0.01	0.03	0.03	0.06
Total yield	10.36	10.38	10.47	10.36
Charge-off ratio:				
Branch real estate loans	0.74%	0.63%	0.68%	0.59%
Centralized real estate	0.23	0.11	0.17	0.07
Branch non-real estate loans	4.18	3.81	3.93	3.84
Branch retail sales finance	2.13	1.64	2.04	1.83
Total segment charge-off ratio	1.15	0.90	1.05	0.87
All other effect on charge-off ratio	-	0.02	-	0.02
Total charge-off ratio	1.15	0.92	1.05	0.89
Delinquency ratio:				
Branch real estate loans			3.19%	2.74%
Centralized real estate			1.46	0.76
Branch non-real estate loans			3.91	3.76
Branch retail sales finance			1.97	1.71
Total segment delinquency ratio			2.47	1.92
All other effect on delinquency ratio			-	-
Total delinquency ratio			<u>2.47</u>	<u>1.92</u>

There are many different categorizations used in the consumer lending industry to describe the creditworthiness of a borrower, including “prime”, “non-prime”, and “sub-prime”. While there are no industry-wide agreed upon definitions for these categorizations, many market participants utilize third party credit scores as a means to categorize the finance receivable and creditworthiness of the borrower. Our finance receivable underwriting process does not use third party credit scores as a primary determinant for credit decisions. However, for informational purposes, we present below our net finance receivables and delinquency ratios grouped into the following categories based solely on borrower Fair Isaac & Co. (FICO) credit scores at the date of loan origination or renewal:

- Prime: Borrower FICO score greater than or equal to 660
- Non-prime: Borrower FICO score greater than 619 and less than 660
- Sub-prime: Borrower FICO score less than or equal to 619

Many finance receivables included in the “prime” category below might not meet other market definitions of prime loans due to certain characteristics of the borrowers, such as their elevated debt-to-income ratios, lack of income stability, or level of income disclosure and verification, as well as credit repayment history or similar measurements.

FICO-delineated prime, non-prime, and sub-prime categories for net finance receivables for the business segments were as follows:

September 30, (dollars in millions)	2007	2006
Net finance receivables:		
Branch real estate loans:		
Prime	\$ 1,334.0	\$1,230.2
Non-prime	1,469.7	1,400.2
Sub-prime	5,478.5	5,262.1
Other/FICO unavailable	72.8	27.6
Total	\$ 8,355.0	\$ 7,920.1
Centralized real estate loans:		
Prime	\$ 8,469.4	\$ 8,644.5
Non-prime	1,799.5	1,805.0
Sub-prime	617.1	701.5
Other/FICO unavailable	100.2	89.0
Total	\$10,986.2	\$11,240.0
Branch non-real estate loans:		
Prime	\$ 619.1	\$ 538.5
Non-prime	930.3	829.7
Sub-prime	2,242.1	2,014.0
Other/FICO unavailable	16.1	21.1
Total	\$ 3,807.6	\$ 3,403.3
Branch retail sales finance:		
Prime	\$ 1,298.4	\$ 1,122.2
Non-prime	296.3	273.1
Sub-prime	362.5	314.0
Other/FICO unavailable	137.1	57.6
Total	\$ 2,094.3	\$ 1,766.9

FICO-delineated prime, non-prime, and sub-prime categories for delinquency ratios for the business segments were as follows:

September 30,	2007	2006
Delinquency ratio:		
Branch real estate loans:		
Prime	0.91%	0.68%
Non-prime	2.08	1.79
Sub-prime	4.01	3.48
Other/FICO unavailable	5.99	2.40
Total	3.19	2.74
Centralized real estate loans:		
Prime	0.94%	0.41%
Non-prime	2.90	1.34
Sub-prime	4.55	3.58
Other/FICO unavailable	0.50	0.62
Total	1.46	0.76
Branch non-real estate loans:		
Prime	1.78%	1.63%
Non-prime	3.05	2.69
Sub-prime	4.86	4.72
Other/FICO unavailable	1.99	8.24
Total	3.91	3.76
Branch retail sales finance:		
Prime	0.82%	0.70%
Non-prime	3.55	2.74
Sub-prime	5.02	4.04
Other/FICO unavailable	1.62	4.03
Total	1.97	1.71

ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

Net Income

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net income	\$ 48.7	\$ 93.0	\$ 100.9	\$329.5
Amount change	\$(44.3)	\$(30.6)	\$(228.6)	\$(64.5)
Percent change	(48)%	(25)%	(69)%	(16)%
Return on average assets	0.69%	1.36%	0.48%	1.64%
Return on average equity	6.92%	12.96%	4.75%	15.41%
Ratio of earnings to fixed charges	1.22x	1.44x	1.15x	1.58x

Net income for the nine months ended September 30, 2007, includes accruals for costs expected to be incurred relating to WFI's surviving obligations under the terminated mortgage services agreement with AIG Bank. We established a \$128 million reserve as of March 31, 2007, and recorded an additional reserve of \$50 million in second quarter 2007 reflecting management's best estimate of the expected costs of the remediation program pursuant to the terms of the Supervisory Agreement with the OTS. See Note 12 of the Notes to Condensed Consolidated Financial Statements for information on the Supervisory Agreement.

Net income for the nine months ended September 30, 2007, also includes a recovery of \$65.0 million (pretax) on a legal settlement in January 2007. See Legal Proceedings in Item 1. of this Quarterly Report on Form 10-Q for additional information on this legal settlement.

Recent developments affecting the mortgage loan and U.S. residential real estate markets could adversely affect our business. The non-prime or sub-prime mortgage loan market has been the subject of negative attention and has been, and may in the future become, subject to increased or changing regulation. Market developments and regulatory changes could limit our business growth opportunities and could increase our cost of borrowing through the capital markets. Any increased or changing regulation could also require us to devote additional resources to comply with that regulation. Further, the downturn in the U.S. residential real estate market may adversely affect our results of operations. In many cases, decreased property values that accompany a market downturn reduce a borrower's ability to refinance his or her mortgage. In addition, interest rate resets on adjustable-rate loans could negatively impact a borrower's ability to repay. Defaults by borrowers could cause losses, could lead to increased claims relating to non-prime or sub-prime mortgage origination practices, and could encourage the adoption of increased regulation. Any sustained period of significantly increased costs, delinquencies or losses could adversely affect our results of operations.

For a discussion of additional risk factors relating to our businesses, see "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2006.

See Note 10 of the Notes to Condensed Consolidated Financial Statements for information on the results of the Company's business segments.

Factors that affected the Company's operating results were as follows:

Finance Charges

Finance charges by type were as follows:

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Real estate loans	\$ 399.6	\$ 407.5	\$ 1,198.5	\$ 1,210.2
Non-real estate loans	194.6	177.1	566.4	516.7
Retail sales finance	62.5	50.0	173.3	138.3
Total	\$ 656.7	\$ 634.6	\$ 1,938.2	\$ 1,865.2
Amount change	\$ 22.1	\$ 41.9	\$ 73.0	\$ 151.1
Percent change	3%	7%	4%	9%
Average net receivables	\$25,173.0	\$24,274.0	\$24,748.4	\$24,054.1
Yield	10.36%	10.38%	10.47%	10.36%

Finance charges increased due to the following:

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Increase in average net receivables	\$26.6	\$28.4	\$63.1	\$142.9
Change in yield	(4.5)	13.5	9.9	8.2
Total	\$22.1	\$41.9	\$73.0	\$151.1

Average net receivables by type and changes in average net receivables when compared to the same periods for the previous year were as follows:

Three Months Ended September 30, (dollars in millions)	2007		2006	
	Amount	Change	Amount	Change
Real estate loans	\$19,350.0	\$145.0	\$19,205.0	\$ 620.8
Non-real estate loans	3,774.8	402.6	3,372.2	232.9
Retail sales finance	2,048.2	351.4	1,696.8	293.1
Total	\$25,173.0	\$899.0	\$24,274.0	\$1,146.8
Percent change		4%		5%

Nine Months Ended September 30, (dollars in millions)	2007		2006	
	Amount	Change	Amount	Change
Real estate loans	\$19,126.0	\$ (36.6)	\$19,162.6	\$1,525.5
Non-real estate loans	3,657.6	374.1	3,283.5	204.1
Retail sales finance	1,964.8	356.8	1,608.0	234.5
Total	\$24,748.4	\$ 694.3	\$24,054.1	\$1,964.1
Percent change		3%		9%

The slower U.S. housing market and tighter underwriting guidelines resulted in lower levels of originations of real estate loans for the nine months ended September 30, 2007, when compared to the same period in 2006. This environment also resulted in an increase in non-real estate loan average net receivables as customers preferred to take out non-real estate loans rather than refinance their real estate loans at higher interest rates. Retail sales finance average net receivables increased due to marketing efforts that added new retail merchants.

Yield by type and changes in yield in basis points (bp) when compared to the same periods for the previous year were as follows:

Three Months Ended September 30,	2007		2006	
	Yield	Change	Yield	Change
Real estate loans	8.19%	(23) bp	8.42%	12 bp
Non-real estate loans	20.51	(40)	20.91	50
Retail sales finance	12.12	41	11.71	(40)
Total	10.36	(2)	10.38	20

Nine Months Ended September 30,	2007		2006	
	Yield	Change	Yield	Change
Real estate loans	8.38%	(6) bp	8.44%	7 bp
Non-real estate loans	20.68	(34)	21.02	21
Retail sales finance	11.78	29	11.49	(122)
Total	10.47	11	10.36	(1)

Yield remained near the same level for the three months ended September 30, 2007, when compared to the same period in 2006. Yield increased for the nine months ended September 30, 2007, when compared to the same period in 2006 reflecting a higher proportion of non-real estate loans and retail sales finance compared to a lower proportion of real estate loans. Real estate loan yield and non-real estate loan yield decreased for the three and nine months ended September 30, 2007, when compared to the same periods in 2006 as we originated new loans at lower rates based on market conditions, tighter underwriting guidelines, and revised credit risk scoring models. Retail sales finance yield increased for the three and nine months ended September 30, 2007, when compared to the same period in 2006 as the change in the mix to longer term promotional products stabilized.

Mortgage Banking Revenues

Mortgage banking revenues were as follows:

(dollars in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2007	2006	September 30, 2007	2006
Net gain on sales of real estate loans held for sale	\$ 16.1	\$62.0	\$ 83.7	\$111.4
Provision for warranty reserve	(17.1)	(7.7)	(62.4)	(16.9)
Interest income on real estate loans held for sale	10.6	23.8	50.0	50.7
Total	\$ 9.6	\$78.1	\$ 71.3	\$145.2
Amount change	\$(68.5)	\$76.7	\$(73.9)	\$138.3
Percent change	(88)%	N/M*	(51)%	N/M*

* Not meaningful

Mortgage banking revenues decreased for the three months ended September 30, 2007, when compared to the same period in 2006 reflecting a decrease in originations of real estate loans held for sale primarily due to the slower U.S. housing market and tighter underwriting guidelines. The decrease in mortgage banking revenues for the three months ended September 30, 2007, when compared to the same period in 2006 also reflected an increase in provision for warranty reserve which covers costs associated with buybacks from investors of mortgage loans that incur certain borrower defaults. Mortgage banking revenues decreased for the nine months ended September 30, 2007, when compared to the same period in 2006 reflecting an increase in provision for warranty reserve, a decrease in originations of real estate loans held for sale, and a shift in distribution channels.

Insurance Revenues

Insurance revenues were as follows:

(dollars in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2007	2006	September 30, 2007	2006
Earned premiums	\$40.9	\$38.1	\$119.4	\$114.9
Commissions	1.9	0.2	6.6	0.7
Total	\$42.8	\$38.3	\$126.0	\$115.6
Amount change	\$ 4.5	\$(1.0)	\$ 10.4	\$ (7.1)
Percent change	12%	(3)%	9%	(6)%

Commissions increased for the three and nine months ended September 30, 2007, when compared to the same periods in 2006 primarily due to our acquisition of Ocean in January 2007. Ocean receives commissions from the sale of various insurance products. Earned premiums increased for the three and nine months ended September 30, 2007, when compared to the same periods in 2006 primarily due to increases in credit and non-credit premium volume.

Investment Revenue

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Investment revenue	\$23.6	\$23.0	\$67.3	\$67.1
Amount change	\$ 0.6	\$ 1.0	\$ 0.2	\$ 2.5
Percent change	3%	5%	- %	4%

Investment revenue was affected by the following:

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Average invested assets	\$1,537.8	\$1,446.3	\$1,514.8	\$1,428.6
Investment portfolio yield	6.31%	6.18%	6.06%	6.28%
Net realized losses on investments	\$ (1.6)	\$ (0.2)	\$ (3.9)	\$ (1.7)

Loan Brokerage Fees Revenues

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Loan brokerage fees revenues	\$18.8	\$ -	\$62.0	\$ -
Amount change	\$18.8	\$ -	\$62.0	\$ -
Percent change	N/A*	N/A*	N/A*	N/A*

* Not applicable

Loan brokerage fees revenues reflect the inclusion of Ocean operations in 2007 periods.

Net Service Fees from Affiliates

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net service fees from affiliates	\$0.9	\$ 0.7	\$(175.7)	\$ 56.6
Amount change	\$0.2	\$(97.2)	\$(232.3)	\$(180.6)
Percent change	28%	(99)%	N/M*	(76)%

* Not meaningful

Net service fees from affiliates decreased for the nine months ended September 30, 2007, when compared to the same period in 2006 reflecting accruals for costs expected to be incurred relating to WFI's surviving obligations under the terminated mortgage services agreement with AIG Bank. We established a \$128 million reserve as of March 31, 2007, and recorded an additional reserve of \$50 million in second quarter 2007 reflecting management's best estimate of the expected costs of the remediation program pursuant to the terms of the Supervisory Agreement with the OTS. See Note 12 of the Notes to Condensed Consolidated Financial Statements for information on the Supervisory Agreement.

The decrease in net service fees from affiliates for the nine months ended September 30, 2007, when compared to the same period in 2006 also reflected the decrease in AIG Bank's origination and sale of real estate loans held for sale using our mortgage origination services following the termination of the mortgage services agreements with AIG Bank in first quarter 2006.

Other Revenues

Other revenues were as follows:

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Recovery on legal settlement	\$ -	\$ -	\$ 65.0	\$ -
Foreign exchange gain (loss) on foreign currency denominated debt	(1.5)	5.1	(38.2)	(186.0)
Fair value adjustments of derivatives	(4.6)	(68.8)	10.5	118.6
Writedowns on real estate owned	(3.1)	(2.2)	(8.8)	(7.1)
Net recovery on sales of real estate owned	0.8	0.8	1.4	2.6
Other	1.5	1.8	(1.4)	6.8
Total	\$ (6.9)	\$(63.3)	\$ 28.5	\$ (65.1)
Amount change	\$56.4	\$(97.0)	\$ 93.6	\$(129.2)
Percent change	89%	(288)%	144%	(202)%

The loss in other revenues decreased for the three months ended September 30, 2007, when compared to the same period in 2006 primarily due to positive variances arising from fair value adjustments of derivatives, partially offset by negative variances in foreign exchange gain (loss) on foreign currency denominated debt. These variances relate primarily to economically swapped positions that did not receive hedge accounting designation until June 2007.

Other revenues increased for the nine months ended September 30, 2007, when compared to the same period in 2006 primarily due to a recovery on a legal settlement in January 2007. On January 19, 2007, HSA Residential Mortgage Services of Texas, Inc. (RMST), a subsidiary of AGFI, and State Bank of Long Island (SBLI) reached an agreement to settle all claims between them relating to Island Mortgage Network, Inc. As part of that settlement, SBLI agreed to pay RMST \$65 million. This settlement was completed on January 24, 2007, and RMST dismissed their lawsuit against SBLI. The increase in other revenues for the nine months ended September 30, 2007, when compared to the same period in 2006 also reflected positive variances in foreign exchange losses on foreign currency denominated debt that were not fully offset by negative variances arising from the fair value adjustments of derivatives. These variances relate primarily to economically swapped positions that did not receive hedge accounting designation until June 2007.

Interest Expense

The impact of using the swap agreements that qualify as hedges under GAAP is included in interest expense and the related borrowing statistics below. Interest expense by type was as follows:

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Long-term debt	\$ 234.2	\$ 227.3	\$ 729.9	\$ 671.0
Short-term debt	81.8	79.1	206.1	191.2
Total	\$ 316.0	\$ 306.4	\$ 936.0	\$ 862.2
Amount change	\$ 9.6	\$ 70.7	\$ 73.8	\$ 219.7
Percent change	3%	30%	9%	34%
Average borrowings	\$23,938.0	\$23,578.9	\$23,798.5	\$23,008.9
Interest expense rate	5.25%	5.16%	5.24%	4.99%

Interest expense increased due to the following:

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Increase in interest expense rate	\$3.5	\$47.9	\$44.3	\$140.3
Increase in average borrowings	6.1	22.8	29.5	79.4
Total	\$9.6	\$70.7	\$73.8	\$219.7

Average borrowings by type and changes in average borrowings when compared to the same periods for the previous year were as follows:

Three Months Ended September 30, (dollars in millions)	2007		2006	
	Amount	Change	Amount	Change
Long-term debt	\$17,910.3	\$165.3	\$17,745.0	\$ 403.2
Short-term debt	6,027.7	193.8	5,833.9	1,728.1
Total	\$23,938.0	\$359.1	\$23,578.9	\$2,131.3
Percent change		2%		10%

Nine Months Ended September 30, (dollars in millions)	2007		2006	
	Amount	Change	Amount	Change
Long-term debt	\$18,696.6	\$741.0	\$17,955.6	\$1,959.1
Short-term debt	5,101.9	48.6	5,053.3	583.4
Total	\$23,798.5	\$789.6	\$23,008.9	\$2,542.5
Percent change		3%		12%

AGFC issued \$4.3 billion of long-term debt during the twelve months ended September 30, 2007. We used the proceeds of these long-term debt issuances to support growth in finance receivables and to refinance maturing debt.

Interest expense rate by type and changes in interest expense rate in basis points when compared to the same periods for the previous year were as follows:

Three Months Ended September 30,	2007		2006	
	Rate	Change	Rate	Change
Long-term debt	5.21%	12 bp	5.09%	62 bp
Short-term debt	5.39	1	5.38	142
Total	5.25	9	5.16	77

Nine Months Ended September 30,	2007		2006	
	Rate	Change	Rate	Change
Long-term debt	5.19%	22 bp	4.97%	61 bp
Short-term debt	5.40	34	5.06	159
Total	5.24	25	4.99	83

Until September 2007, market interest rates had risen significantly since mid-2004. Our actual future interest expense rates will depend on general interest rate levels and market credit spreads, which are influenced by our credit ratings and the market perception of credit risk for the Company and possibly our affiliates, including our ultimate parent, AIG.

Operating Expenses

Operating expenses were as follows:

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Salaries and benefits	\$136.5	\$136.7	\$430.8	\$423.9
Other	106.4	77.0	322.9	224.9
Total	\$242.9	\$213.7	\$753.7	\$648.8
Amount change	\$ 29.2	\$ (4.2)	\$104.9	\$ 11.1
Percent change	14%	(2)%	16%	2%
Operating expenses as a percentage of average net receivables	3.86%	3.52%	4.06%	3.60%

Operating expenses increased for the three and nine months ended September 30, 2007, when compared to the same periods in 2006 primarily due to the inclusion of Ocean operations during 2007 and growth in our branch business segment. The increase in other operating expenses for the nine months ended September 30, 2007, also reflected additional amounts recorded relating to WFI's surviving obligations under the terminated mortgage services agreement with AIG Bank.

Provision for Finance Receivable Losses

(dollars in millions)	Three Months Ended September 30,		At or for the Nine Months Ended September 30,	
	2007	2006	2007	2006
Provision for finance receivable losses	\$99.4	\$ 39.8	\$240.5	\$ 121.9
Amount change	\$59.6	\$(79.7)	\$118.6	\$(132.2)
Percent change	150%	(67)%	97%	(52)%
Net charge-offs	\$71.9	\$ 55.8	\$194.2	\$ 160.2
Charge-off ratio	1.15%	0.92%	1.05%	0.89%
Charge-off coverage	1.86x	2.17x	2.07x	2.27x
60 day+ delinquency			\$639.2	\$ 476.5
Delinquency ratio			2.47%	1.92%
Allowance for finance receivable losses			\$535.0	\$ 484.5
Allowance ratio			2.11%	1.99%

Provision for finance receivable losses increased for the three months ended September 30, 2007, when compared to the same period in 2006 primarily due to an addition to the allowance for finance receivable losses of \$27.5 million in third quarter 2007, compared to a reduction to the allowance for finance receivable losses of \$16.0 million in third quarter 2006, in response to economic fundamentals during each period, and higher net charge-offs in third quarter 2007. Provision for finance receivable losses increased for the nine months ended September 30, 2007, when compared to the same period in 2006 primarily due to reductions to the allowance for finance receivable losses of \$38.3 million during 2006, compared to net additions to the allowance for finance receivable losses of \$46.3 million during 2007, in response to economic fundamentals during each period, and higher net charge-offs in 2007. The increase in provision for finance receivable losses for the nine months ended September 30, 2007, when compared to the same period in 2006 also reflected \$5.5 million of non-recurring recoveries recorded in first quarter 2006.

Net charge-offs by type and changes in net charge-offs when compared to the same periods for the previous year were as follows:

Three Months Ended September 30, (dollars in millions)	2007		2006	
	Amount	Change	Amount	Change
Real estate loans	\$21.9	\$ 5.2	\$16.7	\$ 1.4
Non-real estate loans	39.2	7.1	32.1	(7.2)
Retail sales finance	10.8	3.8	7.0	(1.1)
Total	\$71.9	\$16.1	\$55.8	\$(6.9)

Nine Months Ended September 30, (dollars in millions)	2007		2006	
	Amount	Change	Amount	Change
Real estate loans	\$ 56.9	\$13.3	\$ 43.6	\$ (0.6)
Non-real estate loans	107.3	12.9	94.4	(23.7)
Retail sales finance	30.0	7.8	22.2	(2.8)
Total	\$194.2	\$34.0	\$160.2	\$(27.1)

Charge-off ratios by type and changes in charge-off ratios in basis points when compared to the same periods for the previous year were as follows:

Three Months Ended September 30,	2007		2006	
	Ratio	Change	Ratio	Change
Real estate loans	0.45%	10 bp	0.35%	2 bp
Non-real estate loans	4.17	35	3.82	(119)
Retail sales finance	2.13	47	1.66	(66)
Total	1.15	23	0.92	(17)

Nine Months Ended September 30,	2007		2006	
	Ratio	Change	Ratio	Change
Real estate loans	0.40%	10 bp	0.30%	(4) bp
Non-real estate loans	3.93	8	3.85	(127)
Retail sales finance	2.05	20	1.85	(58)
Total	1.05	16	0.89	(25)

Total charge-off ratio increased for the three and nine months ended September 30, 2007, when compared to the same periods in 2006 primarily due to negative economic fundamentals, a higher proportion of non-real estate loans and retail sales finance compared to real estate loans, the maturation of the real estate loan portfolio, and a higher proportion of branch business segment real estate loans compared to centralized real estate business segment real estate loans which typically have lower charge-off rates. The increase in charge-off ratio for the nine months ended September 30, 2007, when compared to the same period in 2006 also reflected \$5.5 million of non-recurring recoveries recorded in first quarter 2006.

Delinquency based on contract terms in effect by type and changes in delinquency when compared to the same period for the previous year were as follows:

September 30, (dollars in millions)	2007		2006	
	Amount	Change	Amount	Change
Real estate loans	\$432.4	\$129.1	\$303.3	\$27.3
Non-real estate loans	162.0	21.9	140.1	(7.1)
Retail sales finance	44.8	11.7	33.1	1.8
Total	\$639.2	\$162.7	\$476.5	\$22.0

Delinquency ratios based on contract terms in effect by type and changes in delinquency ratios in basis points when compared to the same period for the previous year were as follows:

September 30,	2007		2006	
	Ratio	Change	Ratio	Change
Real estate loans	2.22%	63 bp	1.59%	11 bp
Non-real estate loans	3.91	15	3.76	(50)
Retail sales finance	1.97	26	1.71	(29)
Total	2.47	55	1.92	-

The delinquency ratio at September 30, 2007, increased when compared to September 30, 2006, primarily due to negative economic fundamentals, a higher proportion of non-real estate loans and retail sales finance compared to real estate loans, the maturation of the real estate loan portfolio, and a higher proportion of branch business segment real estate loans compared to centralized real estate business segment real estate loans which typically have lower delinquency rates.

Real estate owned increased to \$96.1 million at September 30, 2007, from \$49.8 million at September 30, 2006. However, we have not experienced an increase of similar magnitude in writedowns on real estate owned or a decrease of similar magnitude in net recovery on sales of real estate owned. See Other Revenues for information on writedowns on real estate owned and net recovery on sales of real estate owned.

Our Credit Strategy and Policy Committee evaluates our finance receivable portfolio monthly to determine the appropriate level of the allowance for finance receivable losses. We believe the amount of the allowance for finance receivable losses is the most significant estimate we make. In our opinion, the allowance is adequate to absorb losses inherent in our existing portfolio. The increase in the allowance for finance receivable losses at September 30, 2007, when compared to September 30, 2006, was primarily due to increases to the allowance for finance receivable losses through the provision for finance receivable losses in 2007 in response to our higher levels of real estate loan delinquency. This increase was partially offset by decreases to the allowance for finance receivable losses through the provision for finance receivable losses reflecting our quarterly evaluations of our loss exposure relating to Hurricane Katrina during 2007 and throughout 2006. In third quarter 2005, we added \$56.8 million to our allowance for finance receivable losses in anticipation of additional finance receivable charge-offs resulting from Hurricane Katrina. As a result of our quarterly evaluations of our loss exposure relating to Hurricane Katrina, we reduced our allowance for finance receivable losses by \$20.4 million during the twelve months ended September 30, 2007.

The allowance ratio at September 30, 2007, increased when compared to September 30, 2006, primarily due to increases to the allowance for finance receivable losses through the provision for finance receivable losses, partially offset by growth in finance receivables during the twelve months ended September 30, 2007.

Charge-off coverage, which compares the allowance for finance receivable losses to net charge-offs (annualized), decreased for the three and nine months ended September 30, 2007, when compared to the same periods in 2006 primarily due to higher net charge-offs, partially offset by higher allowance for finance receivable losses.

Insurance Losses and Loss Adjustment Expenses

Insurance losses and loss adjustment expenses were as follows:

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Claims incurred	\$15.2	\$13.8	\$48.1	\$46.3
Change in benefit reserves	0.9	(0.9)	0.7	(3.3)
Total	\$16.1	\$12.9	\$48.8	\$43.0
Amount change	\$ 3.2	\$(4.5)	\$ 5.8	\$(7.5)
Percent change	24%	(25)%	13%	(15)%

Insurance losses and loss adjustment expenses increased for the three and nine months ended September 30, 2007, when compared to the same periods in 2006 primarily due to an increase in benefit reserves for ordinary policies and higher claims incurred.

Provision for Income Taxes

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Provision for income taxes	\$ 22.3	\$ 45.5	\$ 37.7	\$179.0
Amount change	\$ (23.2)	\$ (27.4)	\$ (141.3)	\$ (51.8)
Percent change	(51)%	(38)%	(79)%	(22)%
Pretax income	\$ 71.0	\$138.5	\$ 138.6	\$508.6
Effective income tax rate	31.39%	32.82%	27.20%	35.20%

Pretax income for the nine months ended September 30, 2007, reflected accruals for costs expected to be incurred relating to WFI's surviving obligations under the terminated mortgage services agreement with AIG Bank. We established a \$128 million reserve as of March 31, 2007, and recorded an additional reserve of \$50 million in second quarter 2007 reflecting management's best estimate of the expected costs of the remediation program pursuant to the terms of the Supervisory Agreement with the OTS. See Note 12 of the Notes to Condensed Consolidated Financial Statements for information on the Supervisory Agreement. Pretax income for the nine months ended September 30, 2007, also reflected a recovery of \$65.0 million on a legal settlement in January 2007.

The effective income tax rate for the nine months ended September 30, 2007, reflected a cumulative deferred tax benefit of \$8.6 million resulting from the correction of an accounting error. In connection with the January 1, 2003, purchase business combination of WFI, we identified \$40.9 million of intangible assets in accordance with SFAS No. 141 "Business Combinations" (SFAS 141) for which there was no corresponding tax basis. In years 2003 through 2006, we recorded a cumulative \$8.6 million in current tax expense associated with the amortization of the intangible assets. Upon review of the amortization of these intangible assets, we concluded that a deferred tax liability of \$14.3 million should have been established in accordance with SFAS No. 109 "Accounting for Income Taxes" at the time of the purchase business combination and that, for years 2003 through 2006, the amortization of the intangible assets should have resulted in a cumulative deferred tax benefit of \$8.6 million. Since no deferred tax liability was initially recorded, we recognized a cumulative deferred tax benefit of \$8.6 million in first quarter 2007. We further concluded that, in accordance with SFAS 141, the \$14.3 million deferred tax liability that should have been recorded at the time of the purchase business combination would have increased the amount of goodwill recorded in connection with the purchase business combination. Therefore, in first quarter 2007, we increased the \$54.1 million of goodwill initially recorded in connection with the purchase business combination of WFI to \$68.4 million.

Our effective income tax rate also declined for the three and nine months ended September 30, 2007, due to the lower pretax income of a subsidiary operating in states with higher than average tax rates.

Asset/Liability Management

To reduce the risk associated with unfavorable changes in interest rates not offset by favorable changes in yield of our finance receivables, we monitor the anticipated cash flows of our assets and liabilities, principally our finance receivables and debt. We fund finance receivables with a combination of fixed-rate and floating-rate debt and equity. We base the mix of fixed-rate and floating-rate debt, in part, on the nature of the finance receivables being supported. Our real estate loans held for sale are funded primarily with floating-rate debt.

We issue fixed-rate, long-term debt as the primary source of fixed-rate debt. AGFC also alters the nature of certain floating-rate funding by using swap agreements to create synthetic fixed-rate, long-term debt to limit our exposure to market interest rate increases. Additionally, AGFC has swapped fixed-rate, long-term debt interest payments to floating-rate interest payments. Including the impact of interest rate swap agreements that effectively fix floating-rate debt or float fixed-rate debt, our floating-rate debt represented 35% of our borrowings at September 30, 2007, compared to 40% at September 30, 2006. Approximately \$444.3 million of our floating-rate debt at September 30, 2007, was attributed to funding real estate loans held for sale. Adjustable-rate net finance receivables (excluding those still in a fixed-rate period) represented 4% of our net finance receivables at September 30, 2007, compared to 6% at September 30, 2006. Approximately 10% of our real estate loans outstanding at September 30, 2007, are scheduled to reset by the end of 2008.

Item 4T. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time period specified by the SEC's rules and forms. The Company's disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

The Company's management, including its Chief Executive Officer and Chief Financial Officer, evaluates the effectiveness of our disclosure controls and procedures as of the end of each quarter using the framework and criteria established in "Internal Control – Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on an evaluation of the disclosure controls and procedures as of September 30, 2007, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective and that the condensed consolidated financial statements fairly present our consolidated financial position and the results of our operations for the periods presented.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the three months ended September 30, 2007, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

On January 19, 2007, HSA Residential Mortgage Services of Texas, Inc. (RMST), a subsidiary of AGFI, and State Bank of Long Island (SBLI) reached an agreement to settle all claims between them relating to Island Mortgage Network, Inc., including all claims asserted in the matter of HSA Residential Mortgage Services of Texas, Inc. v. State Bank of Long Island, U.S. District Court for the Eastern District of New York, 2:05-cv-03185 (JS). As part of that settlement, SBLI agreed to pay RMST \$65 million. This settlement was completed on January 24, 2007, and RMST's lawsuit against SBLI has been dismissed.

See Note 14 of the Notes to Condensed Consolidated Financial Statements in Part I of this Quarterly Report on Form 10-Q for additional information on legal proceedings.

Item 1A. Risk Factors.

Recent developments affecting the mortgage loan and U.S. residential real estate markets could adversely affect our business.

The non-prime or sub-prime mortgage loan market has been the subject of negative attention and has been, and may in the future become, subject to increased or changing regulation. Market developments and regulatory changes could limit our business growth opportunities and could increase our cost of borrowing through the capital markets. Any increased or changing regulation could also require us to devote additional resources to comply with that regulation. Further, the downturn in the U.S. residential real estate market may adversely affect our results of operations. In many cases, decreased property values that accompany a market downturn reduce a borrower's ability to refinance his or her mortgage. In addition, interest rate resets on adjustable-rate loans could negatively impact a borrower's ability to repay. Defaults by borrowers could cause losses, could lead to increased claims relating to non-prime or sub-prime mortgage origination practices, and could encourage the adoption of increased regulation. Any sustained period of significantly increased costs, delinquencies or losses could adversely affect our results of operations.

For a discussion of additional risk factors relating to our businesses, see "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2006.

Item 6. Exhibits.

Exhibits are listed in the Exhibit Index beginning on page 42 herein.

Signature

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.

AMERICAN GENERAL FINANCE, INC.
(Registrant)

Date: November 8, 2007

By /s/ Donald R. Breivogel, Jr.
Donald R. Breivogel, Jr.
Senior Vice President and Chief Financial
Officer
(Duly Authorized Officer and Principal
Financial Officer)

Exhibit Index

Exhibit

- 12 Computation of Ratio of Earnings to Fixed Charges
- 31.1 Rule 13a-14(a)/15d-14(a) Certifications of the President and Chief Executive Officer of American General Finance, Inc.
- 31.2 Rule 13a-14(a)/15d-14(a) Certifications of the Senior Vice President and Chief Financial Officer of American General Finance, Inc.
- 32 Section 1350 Certifications

AMERICAN GENERAL FINANCE, INC. AND SUBSIDIARIES
Computation of Ratio of Earnings to Fixed Charges
(Unaudited)

(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Earnings:				
Income before provision for income taxes	\$ 70,961	\$138,503	\$ 138,647	\$ 508,589
Interest expense	315,990	306,420	936,049	862,155
Implicit interest in rents	5,580	5,182	16,506	15,388
Total earnings	\$392,531	\$450,105	\$1,091,202	\$1,386,132
Fixed charges:				
Interest expense	\$315,990	\$306,420	\$ 936,049	\$ 862,155
Implicit interest in rents	5,580	5,182	16,506	15,388
Total fixed charges	\$321,570	\$311,602	\$ 952,555	\$ 877,543
Ratio of earnings to fixed charges	1.22	1.44	1.15	1.58

Certifications

I, Frederick W. Geissinger, President and Chief Executive Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American General Finance, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 8, 2007

/s/ Frederick W. Geissinger
Frederick W. Geissinger
President and Chief Executive Officer

Certifications

I, Donald R. Breivogel, Jr., Senior Vice President and Chief Financial Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American General Finance, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 8, 2007

/s/ Donald R. Breivogel, Jr.
Donald R. Breivogel, Jr.
Senior Vice President and Chief Financial
Officer

Certifications

In connection with the Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 of American General Finance, Inc. as filed with the Securities and Exchange Commission on the date hereof (the Report), each of Frederick W. Geissinger, President and Chief Executive Officer of the Company, and Donald R. Breivogel, Jr., Senior Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Frederick W. Geissinger
Frederick W. Geissinger
President and Chief Executive Officer

/s/ Donald R. Breivogel, Jr.
Donald R. Breivogel, Jr.
Senior Vice President and Chief Financial
Officer

Date: November 8, 2007