
United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED):
August 3, 2004

FIRSTCITY FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

033-19694
(Commission File No.)

76-0243729
(IRS Employer Identification No.)

6400 Imperial Drive
Waco, Texas 76712
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (254) 751-1750

Item 7. Exhibits.

On August 3, 2004, FirstCity Financial Corporation (“FirstCity” or the “Company”) issued a press release announcing its financial results for the quarter ended June 30, 2004 and certain other information. A copy of this press release is attached hereto as Exhibit 99.1.

Item 9. Regulation FD Disclosure.

Item 12. Results of Operations and Financial Condition.

The following information is furnished pursuant to Item 9, “Regulation FD Disclosure” and Item 12, “Results of Operations and Financial Condition.”

On August 3, 2004, FirstCity Financial Corporation (“FirstCity” or the “Company”) issued a press release announcing its financial results for the quarter ended June 30, 2004 and certain other information. A copy of this press release is attached hereto as Exhibit 99.1.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FirstCity Financial Corporation

Date: August 3, 2004

By /S/ J. Bryan Baker
:

J. Bryan Baker
Senior Vice President, and
Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1 -	Text of press release of FirstCity Financial Corporation issued on August 3, 2004.

NEWS RELEASE



Contact: Suzy W. Taylor
(866) 652-1810

FirstCity Financial Announces Second Quarter 2004 Results

Waco, Texas August 3, 2004... FirstCity Financial Corporation (NASDAQ FCFC) today announced net earnings to common stockholders for the quarter ended June 30, 2004 of \$3.3 million or \$.28 per share on a diluted basis.

Components of the results for the three and six months ended June 30, 2004 and 2003, respectively, are detailed below (dollars in thousands except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Portfolio Asset Acquisition and Resolution	\$ 2,424	\$ 4,636	\$ 6,467	\$ 6,413
Consumer	3,182	2,052	6,300	2,627
Corporate interest	(1,026)	(1,188)	(2,026)	(2,360)
Corporate overhead	(1,031)	(1,263)	(2,343)	(2,462)
Earnings from continuing operations	3,549	4,237	8,398	4,218
Loss from discontinued operations	(250)	(420)	(250)	(420)
Accrued preferred dividends	-	(67)	-	(133)
Net earnings to common stockholders	\$ 3,299	\$ 3,750	\$ 8,148	\$ 3,665
Diluted earnings per common share	\$ 0.28	\$ 0.33	\$ 0.69	\$ 0.33

Portfolio Asset Acquisition and Resolution

Operating contribution for the quarter was \$2.4 million, comprised of \$7.5 million in revenues and \$5.1 million of expenses. The business generated 56% of the revenues from domestic investments, 30% from investments in Latin America and 14% from investments in Europe. The major components of revenue for the quarter include servicing fees of \$3.7 million, equity earnings in Acquisition Partnerships and servicing entities of \$2.6 million and interest income of \$.6 million.

Operating contribution from the Portfolio Asset Acquisition business for the quarter includes net foreign currency losses of \$.4 million, comprised of \$.7 million in Mexican peso losses and \$.3 million of foreign currency gains related to cash collections of certain Euro investments. Quarterly results have been, and continue to be, impacted by fluctuations in foreign currencies. To help hedge against Euro fluctuations, FirstCity restructured its portfolio acquisition funding facility with The Bank of Scotland in April 2004 to allow the Company to borrow in Euros up to a U.S. dollar equivalent of \$22.5 million. In June 2004, FirstCity borrowed 7.0 million Euros under the Bank of Scotland portfolio acquisition facility to refinance the outstanding balance of U.S. Dollar denominated loans it had with Cargill related to the acquisition of European portfolios. The company has subsequently used the Bank of Scotland portfolio acquisition facility to acquire a French portfolio with a Euro denominated loan. FirstCity continues to attempt to locate a Peso based financing facility

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to hedge its peso exposure. The following table details these impacts on corporate earnings (dollars in thousands):

Illustration of the Effects of Currency Fluctuations	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2004	2003	2004	2003
Net earnings to Common Stockholders as reported	\$ 3,299	\$ 3,750	\$ 8,148	\$ 3,665
Mexican Peso gains (losses)	(678)	1,110	(216)	(513)
Euro gains	249	143	558	390
Peso exchange rate at valuation date	11.45	10.41		
Euro exchange rate at valuation date	0.83	0.87		

The Company and its Acquisition Partnerships purchased ten portfolios in the second quarter - seven domestic portfolios totaling \$35 million, one Mexican portfolio for \$41 million and two French portfolios for \$10 million. The Company invested equity of \$18.7 million in these portfolios. A summary of acquisitions for the recent quarters follows (dollars in millions):

	Domestic	Europe	Latin America	Total	Invested Equity
2004					
2 nd Quarter	\$ 35.3	\$ 9.8	\$ 40.7	\$ 85.8	\$ 18.7
1 st Quarter	\$ 6.5	\$ -	\$ 0.2	\$ 6.7	\$ 3.1
Year to Date 2004	\$ 41.8	\$ 9.8	\$ 40.9	\$ 92.5	\$ 21.8
2003					
4 th Quarter	\$ 46.7	\$ 11.1	\$ -	\$ 57.7	\$ 7.6
3 rd Quarter	39.3	-	-	39.3	3.9
2 nd Quarter	6.7	20.1	5.4	32.2	11.4
1 st Quarter	-	-	-	-	-
Total Year 2003	\$ 92.6	\$ 31.2	\$ 5.4	\$ 129.2	\$ 22.9 *
Total Year 2002	\$ 61.4	\$ 98.7	\$ 11.7	\$ 171.8	\$ 16.7

* The Company invested \$3.4 million in partnerships during 2003 in addition to the acquisitions above.

Consumer

Operating contribution for the quarter was \$3.2 million, comprised of \$4.1 million from the Company's investment in Drive and \$.9 million of interest, taxes and other expenses. The Company owns a 31% interest in Drive Financial Services L.P., a sub prime auto lending company. Drive originated \$177.5 million of receivables during the quarter compared to \$127.7 million in the second quarter of 2003. Defaults and losses were 20.00% and 10.65%, respectively, at the end of the quarter compared to 21.46% and 11.07%, respectively, for the same period last year. These statistics reflect the weakness in the economy in prior periods and the resulting impact on used car prices, although recent indicators reflect an upward trend in used car prices. Delinquencies were 17.28% for the quarter, up from 6.00% the same period last year as a result of a change in collection strategies, which will in some instances allow Drive to provide borrowers additional time to cure delinquencies rather than pursue immediate repossession.

Net income from Drive continues to be positive as originations and the volume of portfolio assets grow over time. Based on information provided by Drive, the Company expects that this positive trend will continue.

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The following table details this trend (dollars in thousands):

	Originations	Loan Inventory	Total Assets	Income before provisions on residual assets	Provisions on residual assets	Net Income	FirstCity's 31% share
2004							
2 nd Quarter	\$177,549	\$861,461	\$1,074,036	\$ 13,211	\$ -	\$ 13,211	\$ 4,095
1 st Quarter	244,121	770,042	915,128	13,001	-	13,001	4,031
2003							
4 th Quarter	102,228	623,389	738,829	6,308***	(2,087)	4,221	1,308
3 rd Quarter	128,688	577,974	700,760	9,132	(3,904)	5,228	1,621
2 nd Quarter	127,706	511,212	619,269	8,251	(1,240)	7,011	2,173
1 st Quarter	126,118	443,099	551,412	3,707	(1,217)	2,490	689

*** Net of \$3.7 million of additional provisions related to loans receivable.

Note: As of June 30, 2004, Drive holds on its balance sheet residual interests with a book value of \$19.6 million compared with \$45.3 million as of June 30, 2003.

Discontinued Operations

The anticipated realizable value of the Company's investment in discontinued mortgage operations decreased to \$5.5 million, net of reserves of \$250,000, at June 30, 2004. Additional provisions of \$250,000 were required during the second quarter of 2004.

Payment of Dividend on New Preferred Stock

On July 29, 2004, the Company paid a dividend of \$10.50 per share on its New Preferred Stock (NASDAQ FCFCO). The dividend was paid to holders of record as of July 22, 2004 and represented all dividends in arrears on the New Preferred Stock. The dividend covered the period from July 1, 1999 through June 30, 2004. Because the dividend was in excess of 25% of the value of the New Preferred Stock, the ex dividend date for the security was July 30, 2004, the day after the payable date. The company halted payment of dividends on New Preferred Stock as of July 1, 1999, due to liquidity constraints resulting from financial difficulties the company experienced at the time. Since then, the company's bank lending agreements have prohibited the payment of any dividends on New Preferred Stock. Giving consideration to its successful recapitalization in December of 2002, and resulting improvement in its balance sheet, liquidity and earnings, the Company recently sought and received a waiver of the restrictions on dividend payments from its lender.

There are currently 126,281 shares of New Preferred Stock outstanding. The issue, which matures in September 2005, has a \$21.00 per share liquidation preference and \$2.10 per share annual dividend rate. The company expects to make normal quarterly dividend payments of \$.525 per share beginning in October of 2004, until the shares are retired.

Annual Meeting

The Company will hold its annual meeting of stockholders on August 5, 2004 at the Company headquarters located at 6400 Imperial Drive, Waco, Texas 76712. The record date for the meeting is June 8, 2004.

Conference Call

The Company will host a conference call to discuss the quarterly results today, Tuesday, August 3, 2004 at 9:00 a.m., CDT. James T. Sartain, the Company's President and Chief Executive Officer will lead the call. To participate, dial toll free 1-888-243-0812 and specify conference I.D. number 519375. International callers should dial 1-703-736-7293. Please dial in five minutes prior to the call. If you are unable to listen to the live conference call, a replay will be available by dialing 1-888-266-2081. For international callers the replay number is 1-703-925-2533. The pass code for the replay is 519375. The replay will be available through Tuesday, August 17, 2004.

(more)

Forward Looking Statements

Certain statements in this press release, which are not historical in fact, including, but not limited to, statements relating to future performance, may be deemed to be forward-looking statements under the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, performance or achievements, and may contain the words “expect”, “intend”, “plan”, “estimate”, “believe”, “will be”, “will continue”, “will likely result”, and similar expressions. Such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. There are many important factors that could cause the Company’s actual results to differ materially.

These factors include, but are not limited to, the performance of the Company’s subsidiaries and affiliates, availability of portfolio assets, assumptions underlying portfolio asset performance, risks associated with foreign operations, currency exchange rate fluctuations, interest rate risk, risks of declining value of loans, collateral or assets; the degree to which the Company is leveraged, the Company’s continued need for financing, availability of the Company’s credit facilities, the impact of certain covenants in loan agreements of the Company and its subsidiaries, the ability of the Company to utilize net operating loss carry forwards, uncertainties of any litigation arising from discontinued operations, general economic conditions, foreign social and economic conditions, changes (legislative and otherwise) in the asset securitization industry; fluctuation in residential and commercial real estate values, capital markets conditions, including the markets for asset-backed securities; factors more fully discussed and identified under Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” risk factors and other risks identified in the Company’s Annual Report on Form 10-K for the year ended December 31, 2003, filed with the SEC on March 30, 2004, as well as in the Company’s other filings with the SEC.

Many of these factors are beyond the Company’s control. In addition, it should be noted that past financial and operational performance of the Company is not necessarily indicative of future financial and operational performance. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements.

The forward-looking statements in this release speak only as of the date of this release. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based.

The Company is a diversified financial services company with operations dedicated to portfolio asset acquisition and resolution and consumer lending with offices in the U.S. and with affiliate organizations in France and Mexico. Its common (FCFC) and preferred (FCFCO) stocks are listed on the NASDAQ National Market System.

(Tables follow)

FirstCity Financial Corporation
Summary of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenues:				
Servicing fees from affiliates	\$ 3,716	\$ 4,086	\$ 6,748	\$ 7,593
Gain on resolution of Portfolio Assets	162	272	237	967
Equity in earnings of investments	7,757	6,933	16,969	9,024
Interest income from affiliates	617	911	1,061	1,826
Interest income - other	51	157	136	345
Other income	444	254	1,782	616
Total revenues	<u>12,747</u>	<u>12,613</u>	<u>26,933</u>	<u>20,371</u>
Expenses:				
Interest and fees on notes payable to affiliates	2,268	1,804	4,797	3,695
Interest and fees on notes payable - other	102	52	171	114
Interest on shares subject to mandatory redemption	67	-	133	-
Salaries and benefits	3,477	4,098	7,554	7,594
Provision for (recovery of) loan and impairment losses	22	(56)	22	(22)
Occupancy, data processing, communication and other	1,785	1,736	3,237	3,730
Total expenses	<u>7,721</u>	<u>7,634</u>	<u>15,914</u>	<u>15,111</u>
Earnings from continuing operations before income taxes and minority interest	5,026	4,979	11,019	5,260
Provision for income taxes	(471)	(133)	(583)	(254)
Earnings from continuing operations before minority interest	4,555	4,846	10,436	5,006
Minority interest	(1,006)	(609)	(2,038)	(788)
Earnings from continuing operations	3,549	4,237	8,398	4,218
Loss from discontinued operations	(250)	(420)	(250)	(420)
Net earnings	3,299	3,817	8,148	3,798
Accumulated preferred dividends in arrears	-	(67)	-	(133)
Net earnings to common stockholders	<u>\$ 3,299</u>	<u>\$ 3,750</u>	<u>\$ 8,148</u>	<u>\$ 3,665</u>
Basic earnings per common share are as follows:				
Earnings from continuing operations	\$ 0.31	\$ 0.37	\$ 0.75	\$ 0.37
Discontinued operations	(0.02)	(0.04)	(0.02)	(0.04)
Net earnings per common share	\$ 0.29	\$ 0.33	\$ 0.73	\$ 0.33
Wtd. avg. common shares outstanding	11,235	11,204	11,216	11,203
Diluted earnings per common share are as follows:				
Earnings from continuing operations	\$ 0.30	\$ 0.37	\$ 0.71	\$ 0.37
Discontinued operations	(0.02)	(0.04)	(0.02)	(0.04)
Net earnings per common share	\$ 0.28	\$ 0.33	\$ 0.69	\$ 0.33
Wtd. avg. common shares outstanding	11,820	11,204	11,806	11,203

Selected Unaudited Balance Sheet Data

	June 30, 2004	December 31, 2003
Cash	\$ 3,823	\$ 2,745
Portfolio acquisition and resolution assets	91,971	80,428
Consumer assets	25,824	15,685
Deferred tax asset	20,101	20,101
Net assets of discontinued operations	5,527	6,150
Total assets	160,942	132,139
Notes payable to affiliates	97,856	88,628
Notes payable other	4,664	2,432
Preferred stock	3,978	3,846
Total common stockholders' equity	35,915	28,969

FirstCity Financial Corporation
Supplemental Information
(Dollars in thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Summary Operating Statement Data for Each Business				
Portfolio Asset Acquisition and Resolution:				
Revenues	\$ 7,470	\$ 9,823	\$ 16,412	\$ 16,659
Expenses	5,024	5,243	9,923	10,268
Operating contribution before provision for loan and impairment losses	2,446	4,580	6,489	6,391
Provision for loan and impairment losses	22	(56)	22	(22)
Operating contribution, net of direct taxes	<u>\$ 2,424</u>	<u>\$ 4,636</u>	<u>\$ 6,467</u>	<u>\$ 6,413</u>
Consumer Lending:				
Revenues	\$ 5,137	\$ 2,716	\$ 10,177	\$ 3,577
Expenses, net of minority interest	1,955	664	3,877	950
Operating contribution	<u>\$ 3,182</u>	<u>\$ 2,052</u>	<u>\$ 6,300</u>	<u>\$ 2,627</u>

Portfolio Asset Acquisition and Resolution:
Overview

Aggregate purchase price of portfolios acquired:

Acquisition partnerships				
Domestic	\$ 35,334	\$ 6,750	\$ 41,883	\$ 6,750
Latin America	40,650	5,400	40,800	5,400
Europe	9,837	20,055	9,837	20,055
Total	<u>\$ 85,821</u>	<u>\$ 32,205</u>	<u>\$ 92,520</u>	<u>\$ 32,205</u>

Historical Acquisitions - Annual:

	Purchase Price	FirstCity's Investment
2004 year to date	\$ 92,520	\$ 21,832
2003	129,192	22,944
2002	171,769	16,717
2001	224,927	24,319
2000	394,927	22,140
1999	210,799	11,203

	June 30, 2004	June 30, 2003
Portfolio acquisition and resolution assets by region:		
Domestic	\$ 53,355	\$ 41,011
Latin America	18,788	16,840
Europe	19,828	21,998
Total	<u>\$ 91,971</u>	<u>\$ 79,849</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenues by region:				
Domestic	\$ 4,185	\$ 5,387	\$ 8,328	\$ 9,794
Latin America	2,265	3,795	4,862	5,220
Europe	1,020	641	3,222	1,645
Total	<u>\$ 7,470</u>	<u>\$ 9,823</u>	<u>\$ 16,412</u>	<u>\$ 16,659</u>

Revenues by source:				
Equity earnings	\$ 2,639	\$ 4,217	\$ 6,814	\$ 5,447
Servicing fees	3,716	4,086	6,748	7,593
Interest income - loans	642	1,062	1,165	2,158
Gain on sale of interest in equity investment	-	-	-	-
Gain on resolution of Portfolio Assets	162	272	237	967
Other	311	186	1,448	494
Total	<u>\$ 7,470</u>	<u>\$ 9,823</u>	<u>\$ 16,412</u>	<u>\$ 16,659</u>

FirstCity Financial Corporation
Supplemental Information
(Dollars in thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Analysis of Equity Investments in Acquisition Partnerships:				
FirstCity's Average investment in Acquisition Partnerships				
Domestic	\$ 37,162	\$ 33,089	\$ 36,951	\$ 33,109
Latin America	1,065	1,036	1,054	1,040
Europe	12,200	11,628	13,158	11,535
Europe-Servicing subsidiaries	4,571	3,737	4,535	3,575
Total	<u>\$ 54,998</u>	<u>\$ 49,490</u>	<u>\$ 55,698</u>	<u>\$ 49,259</u>
FirstCity Share of Equity Earnings (Loss):				
Domestic	\$ 2,594	\$ 3,264	\$ 4,543	\$ 5,611
Latin America	(890)	390	(778)	(1,670)
Europe	789	460	2,573	1,187
Europe-Servicing subsidiaries	146	103	476	319
Total	<u>\$ 2,639</u>	<u>\$ 4,217</u>	<u>\$ 6,814</u>	<u>\$ 5,447</u>
Selected other data:				
Average investment in wholly owned portfolio assets and loans receivable:				
Domestic	\$ 10,500	\$ 8,262	\$ 8,509	\$ 8,553
Latin America	16,770	14,816	15,284	14,877
Europe	1,426	1,001	1,805	715
Total	<u>\$ 28,696</u>	<u>\$ 24,079</u>	<u>\$ 25,598</u>	<u>\$ 24,145</u>
Income from wholly owned portfolio assets and loans receivable:				
Domestic	\$ 250	\$ 462	\$ 446	\$ 1,375
Latin America	537	855	913	1,733
Europe	17	17	43	17
Total	<u>\$ 804</u>	<u>\$ 1,334</u>	<u>\$ 1,402</u>	<u>\$ 3,125</u>
Servicing fee revenues:				
Domestic partnerships:				
\$ Collected	\$ 31,085	\$ 40,644	\$ 57,438	\$ 64,694
Servicing fee revenue	1,223	1,541	2,261	2,582
Average servicing fee %	3.9%	3.8%	3.9%	4.0%
Latin American partnerships:				
\$ Collected	\$ 20,249	\$ 13,513	\$ 35,095	\$ 30,025
Servicing fee revenue	2,400	2,484	4,356	4,879
Average servicing fee %	11.9%	18.4%	12.4%	16.2%
Incentive service fees	\$ 93	\$ 61	\$ 131	\$ 132
Total Service Fees:				
\$ Collected	\$ 51,334	\$ 54,157	\$ 92,533	\$ 94,719
Servicing fee revenue	3,716	4,086	6,748	7,593
Average servicing fee %	7.2%	7.5%	7.3%	8.0%
Servicing portfolio (face value)				
Domestic	\$ 442,710	\$ 361,957		
Latin America	1,159,490	1,222,626		
Europe	832,692	905,224		
Total	<u>\$ 2,434,892</u>	<u>\$ 2,489,807</u>		
Number of personnel at period end:				
Domestic	60	70		
Latin America	144	166		
Total personnel	<u>204</u>	<u>236</u>		

FirstCity Financial Corporation
Supplemental Information
(Dollars in thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Consumer Lending: ⁽¹⁾				
Retail installment contracts acquired	\$ 177,549	\$ 127,706	\$ 421,670	\$ 253,825
Origination characteristics:				
Face value to wholesale value	99.47%	98.71%	101.14%	98.79%
Weighted average coupon	21.18%	21.04%	21.13%	20.97%
Purchase discount (% of face value)	16.56%	17.50%	17.01%	17.29%
Servicing portfolio (face value in \$)	1,094,817	768,889		
Defaults (% of original balance at time of default)	20.00%	21.46%		
Net loss on defaults after recovery	10.65%	11.07%		
Delinquencies (% of total serviced portfolio)	17.28%	6.00%		
Equity in earnings of Drive	\$ 5,118	\$ 2,716	\$ 10,155	\$ 3,577
Minority interest	(1,023)	(543)	(2,029)	(715)
Net equity in earnings of Drive	<u>\$ 4,095</u>	<u>\$ 2,173</u>	<u>\$ 8,126</u>	<u>\$ 2,862</u>

(1) Auto lending business conducted by Drive Financial Services LP, of which FirstCity owns 31% and accounts for its investment using the equity method of accounting.