LITCHFIELD FINANCIAL CORP /MA

FORM 424B5
(Prospectus filed pursuant to Rule 424(b)(5))

Filed 11/23/98

Address	430 MAIN STREET WILLIAMSTOWN, MA 01267
Telephone	4134581000
CIK	0000882515
SIC Code	6162 - Mortgage Bankers and Loan Correspondents
Fiscal Year	12/31

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Address	430 MAIN STREET
	WILLIAMSTOWN, Massachusetts 01267
Telephone	413-458-1000
CIK	0000882515
Fiscal Year	12/31

Filed Pursuant to Rule 424(b)(5)
File No. 333-59173

PROSPECTUS SUPPLEMENT
(TO PROSPECTUS DATED AUGUST 10, 1998)

$20,000,000

[LITCHFIELD LOGO]

9.25% SERIES B NOTES DUE 2003

PRINCIPAL AMOUNT:	$20,000,000
INTEREST RATE:	9.25%
ORIGINAL ISSUE DATE:	DECEMBER 1, 1998
STATED MATURITY:	DECEMBER 1, 2003
PRICE TO PUBLIC:	100%
UNDERWRITER'S COMMISSION:	$700,000
NET PROCEEDS TO COMPANY:	$19,300,000

INVESTORS SHOULD CAREFULLY REVIEW "RISK FACTORS" BEGINNING ON PAGE 3 OF

THE ACCOMPANYING PROSPECTUS BEFORE INVESTING IN THE SERIES B NOTES.

This prospectus supplement relates to the original issuance and sale by Litchfield Financial Corporation (the "Company") of the Series B Notes described herein, through McDonald Investments Inc. (the "Underwriter"). The Company may issue notes under Registration Statement No. 333-59173 in a principal amount of up to $100,000,000 in gross proceeds. On October 16, 1998, the Company issued $10,000,000 principal amount of 8.25% Series A Notes due 2003 under that registration statement.

The Series B Notes will not be listed for trading on the Nasdaq stock market or any exchange, and the Company cannot assure that an active trading market for the Series B Notes will develop.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED THESE SECURITIES OR DETERMINED THAT THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Underwriter is offering the Series B Notes subject to receipt and acceptance of the notes by the Underwriter and subject to its rights to reject an order in whole or in part and to withdraw, cancel or modify the offer without notice. The Series B Notes will bear interest from the date of delivery to the Underwriter. It is expected that the Series B Notes will be ready for delivery on or about December 1, 1998.

McDonald Investments Inc.

NOVEMBER 23, 1998

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information you should consider before investing in the Series B Notes. You should read the entire prospectus supplement and prospectus carefully, including "Risk Factors" and the financial statements and notes to those statements included or incorporated by reference.

THE COMPANY

Litchfield Financial Corporation is a diversified finance company that provides financing to creditworthy borrowers for assets not typically financed by banks. The Company provides this financing by purchasing consumer loans and other loans and by making loans to businesses secured by consumer receivables or other assets.

TYPES OF LOANS

A. CONSUMER LOANS. The Company purchases consumer loans consisting primarily of:

(1) LAND LOANS. These loans to purchasers of rural and vacation properties are:

- typically secured by one to twenty acre rural parcels; and

- secured by property located in 35 states, mainly in the southern United States.

(2) VOI LOANS. These loans:

- are typically used to purchase ownership interests in fully furnished vacation properties (popularly known as timeshare interests); and

- are secured by property located in 18 states, mainly in California, Florida and Pennsylvania.

The Company requires most dealers or developers from whom it buys consumer loans to guarantee repayment or replacement of any loan in default. Ordinarily, the Company keeps a percentage of the purchase price as a reserve until the loan is repaid.

B. HYPOTHECATION LOANS. The Company also provides financing to rural land dealers, timeshare resort developers and other finance companies secured by receivables. The Company's Hypothecation Loans typically have:

- advance rates of 75% to 90% of the current balance of the pledged receivables; and

- variable interest rates based on the prime rate plus 2% to 4%.

C. A&D LOANS. The Company also makes loans to land dealers and resort developers for the acquisition and development of rural land and timeshare resorts. When the Company makes these loans, it typically receives an exclusive right to purchase or finance the related consumer receivables generated by the sale of the subdivided land or timeshare interests. The Company's A&D Loans:

- typically have loan to value ratios of 60% to 80%; and

- have variable interest rates based on the prime rate plus 2% to 4%.

D. OTHER LOANS. The Company purchases other loans, such as consumer home equity loans, builder construction loans and consumer construction loans, and provides financing to other businesses secured by receivables or other assets.

SOURCES OF REVENUE

The principal sources of the Company's revenues are:

- interest and fees on loans;

- gains on sales of loans; and

- servicing and other fee income.

THE OFFERING

Securities Offered.........	$20,000,000 principal amount of 9.25% Series B Notes due 2003. The Series B Notes are unsecured, general obligations of the Company. See "Description of Series B Notes" for a more detailed description of the Series B Notes.
Maturity...................	December 1, 2003
Interest Payment Dates.....	The Company will make interest payments monthly in arrears beginning January 1, 1999.
Redemption at Noteholder's Option...................	AFTER THE DEATH OF A NOTEHOLDER: If a Noteholder dies and his Series B Notes are tendered by his personal representative or surviving joint-tenant or tenant in common, the Company must redeem (at par plus accrued interest) the tendered Series B Notes within 60 days of tender. This redemption requirement is subject to the amount limitations specified below. See "Description of Notes -- Redemption at Holder's Option," in the accompanying prospectus. BY OTHER NOTEHOLDERS: On January 1 of each year, starting in 2000, the Company must redeem Series B Notes tendered by the last day of October of that year at par plus accrued interest. This redemption requirement is subject to the amount limitations specified below. AMOUNT LIMITATIONS: The Company is only required to redeem an aggregate of up to 5% of the original aggregate principal amount of the Series B Notes, subject to a maximum of $25,000 per beneficial owner each year. The Company will redeem Series B Notes tendered by representatives of deceased beneficial owners before redeeming Series B Notes tendered by other Noteholders.
Redemption Upon Occurrence of Certain Events..........	If a Fundamental Structural Change or a Significant Subsidiary Disposition (as those terms are defined in the accompanying prospectus) occurs, each holder of Series B Notes can require the Company to purchase the holder's Series B Notes at a price equal to the principal amount of the holder's Series B Notes plus accrued interest. This right is not exercisable if within 40 days after the occurrence of such event the Series B Notes have received a specified rating from a nationally recognized statistical rating organization. See "Description of Notes -- Noteholders' Right to Prepayment After Fundamental Structural Change or Significant Subsidiary Disposition" in the accompanying prospectus.
Redemption at Company's Option...................	The Company has the option to redeem the Series B Notes on or after December 1, 2000, at the redemption prices indicated in this prospectus supplement.
Sinking Fund...............	None.
Certain Covenants of the Company..................	The indenture limits the Company's ability to declare dividends and to incur additional debt. The indenture also requires the Company to maintain certain levels of cash or marketable securities. In addition, in certain circumstances the Company may be required to redeem Series B Notes tendered by Noteholders.

Use of Proceeds............	The Company will use the net proceeds from the sale of the Series B Notes for general corporate purposes.
Investment Considerations.............	Investors should consider the risk factors beginning on page 3 of the accompanying prospectus before purchasing the Series B Notes.
Trustee....................	The Bank of New York, New York, New York.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1993	1994	1995	1996	1997	1997	1998
STATEMENT OF INCOME DATA(1):							
Revenues:							
Interest and fees on loans	$ 4,330	$ 5,669	$ 11,392	$ 14,789	$ 19,374	$ 14,354	$ 18,107
Gain on sale of loans	4,550	4,847	5,161	7,331	8,564	6,751	8,585
Servicing and other fee income	501	459	908	1,576	1,753	1,256	1,699
Total revenues	9,381	10,975	17,461	23,696	29,691	22,361	28,391
Expenses:							
Interest expense	2,717	3,158	6,138	7,197	10,675	7,775	10,115
Salaries and employee benefits	1,350	1,776	2,798	2,824	3,399	2,529	3,557
Other operating expenses	1,017	1,164	2,120	3,147	3,480	2,645	2,775
Provision for loan losses	620	559	890	1,954	1,400	979	1,170
Total expenses	5,704	6,657	11,946	15,122	18,954	13,928	17,617
Income before income taxes and extraordinary item	3,677	4,318	5,515	8,574	10,737	8,433	10,774
Provision for income taxes	1,426	1,619	2,066	3,301	4,134	3,247	4,148
Income before extraordinary item	2,251	2,699	3,449	5,273	6,603	5,186	6,626
Extraordinary item(2)	--	(126)	--	--	(220)	--	(77)
Net income	$ 2,251	$ 2,573	$ 3,449	$ 5,273	$ 6,383	$ 5,186	$ 6,549
Basic per common share amounts:							
Income before extraordinary item	$ .55	$ .66	$ .80	$ .97	$ 1.19	$ .94	$ 1.09
Extraordinary item	--	(.03)	--	--	(.04)	--	(.01)
Net income per share	$ .55	$ .63	$ .80	$ .97	$ 1.15	$ .94	$ 1.08
Basic weighted average number of shares outstanding	4,065,688	4,116,684	4,315,469	5,441,636	5,572,465	5,545,497	6,083,183
Diluted per common share amounts:							
Income before extraordinary item	$ .53	$ .63	$ .76	$ .93	$ 1.12	$ .88	$ 1.03
Extraordinary item	--	(.03)	--	--	(.04)	--	(.01)
Net income per share	$ .53	$ .60	$ .76	$ .93	$ 1.08	$ .88	$ 1.02
Diluted weighted average number of shares outstanding	4,216,151	4,282,884	4,524,607	5,682,152	5,909,432	5,876,651	6,432,422
Cash dividends declared per common share	$ .02	$ .03	$ .04	$ .05	$ .06	$ --	$ --
OTHER STATEMENT OF INCOME DATA:							
Income before extraordinary item as a percentage of revenues	24.0%	24.6%	19.8%	22.3%	22.3%	23.2%	23.4%
Ratio of EBITDA to interest expense(3)	2.81	3.31	2.44	2.90	2.17	2.16	2.13
Ratio of earnings to fixed charges(4)	2.35	2.37	1.90	2.19	2.01	2.08	2.07
Return on average assets(5)	5.0%	4.6%	3.7%	4.0%	3.8%	4.3%	3.9%
Return on average equity(5)	17.0%	17.2%	16.6%	13.3%	14.1%	14.9%	13.9%

(1) Certain amounts in the 1993 through 1996 financial information have been restated to conform to the 1997 and 1998 presentation.

(2) Reflects loss on early extinguishment of a portion of the 1992 Notes (as defined herein), net of applicable tax benefit of $76,000, for 1994, of the remainder of the 1992 Notes, net of applicable tax benefit of $138,000, for 1997, and of the term note payable, net applicable tax benefit of $48,000, for 1998.

(3) The ratio of EBITDA to interest expense is required to be calculated for the twelve month period immediately preceding each calculation date, pursuant to the terms of the indentures to which the Company is subject. EBITDA is defined as earnings before deduction of taxes, depreciation, amortization, and interest expense (but after deduction for any extraordinary item).

(4) For purposes of calculating the ratio of earnings to fixed charges, earnings consist of income before income taxes and extraordinary items and fixed charges. Fixed charges consist of interest charges and the amortization of debt expense.

(5) The return on average assets and average equity for the nine month periods are calculated on an annualized basis. Calculations are based on income before extraordinary item.

	DECEMBER 31,					SEPT. 30,
	1993	1994	1995	1996	1997	1998
BALANCE SHEET DATA(6):						
Total assets	$ 54,444	$ 63,487	$112,459	$152,689	$186,790	$252,594
Loans held for sale(7)	5,931	11,094	14,380	12,260	16,366	11,131
Other loans(7)	10,306	15,790	33,613	79,996	86,307	155,694
Retained interests in loan sales(7)	11,764	11,996	22,594	28,912	30,299	28,954
Secured debt	--	5,823	9,836	43,727	5,387	42,340
Unsecured debt	32,302	29,896	47,401	46,995	105,347	105,056
Stockholders' equity	14,722	16,610	37,396	42,448	52,071	79,787

	YEAR ENDED, DECEMBER 31,					NINE MONTHS ENDED SEPT. 30,
	1993	1994	1995	1996	1997	1998
OTHER FINANCIAL DATA:						
Loans purchased and originated(8)	$ 42,410	$ 59,798	$121,046	$133,750	$184,660	$256,861
Loans sold(8)	28,099	40,116	65,115	54,936	98,747	103,356
Loans participated(8)	--	--	--	--	6,936	3,304
Serviced Portfolio(9)	84,360	105,013	176,650	242,445	304,102	417,455
Loans serviced for others	59,720	72,731	111,117	129,619	179,790	232,272
Dealer/developer reserves	4,926	6,575	9,644	10,628	10,655	10,028
Allowance for loan losses(10)	1,064	1,264	3,715	4,528	5,877	6,506
Allowance ratio(11)	1.26%	1.20%	2.10%	1.87%	1.93%	1.56%
Delinquency ratio(12)	.61%	.93%	1.73%	1.34%	1.20%	1.05%
Net charge-off ratio(8)(13)	.69%	.38%	.67%	.94%	.74%	.56%
Non-performing asset ratio(14)	1.48%	1.02%	1.35%	1.57%	1.03%	.88%

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(6) In 1997 the Company adopted Statement of Financial Accounting Standards No.
125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Consequently, certain amounts included in the 1993 through 1996 financial statements have been reclassified to conform with the 1997 and 1998 presentation: "Subordinated pass through certificates held to maturity," "Excess servicing asset" and "Allowance for loans sold" have been reclassified as "Retained interests in loan sales." In addition, "Loans held for investment" have been reclassified as "Other loans."

(7) Amount indicated is net of allowance for losses and recourse obligation on retained interests in loan sales.

(8) During the relevant period.

(9) The Serviced Portfolio consists of the principal amount of loans serviced by or on behalf of the Company, except loans participated without recourse to the Company.

(10) The allowance for loan losses includes allowance for losses under the recourse provisions of loans sold. See Note C to financial statements.

(11) The allowance ratio is the allowances for loan losses divided by the amount of the Serviced Portfolio.

(12) The delinquency ratio is the amount of delinquent loans divided by the amount of the Serviced Portfolio. Delinquent loans are those which are 30 days or more past due which are not covered by dealer/developer reserves or guarantees and not included in other real estate owned.

(13) The net charge-off ratio is determined by dividing the amount of net charge-offs for the period by the average Serviced Portfolio for the period. The September 30, 1998 amount is calculated on an annualized basis.

(14) The non-performing asset ratio is determined by dividing the sum of the amount of those loans which are 90 days or more past due and other real estate owned by the amount of the Serviced Portfolio.

RECENT DEVELOPMENTS

Recently, debt capital market conditions for non-investment grade issuers, such as the Company, have deteriorated. This deterioration has resulted in the inability of some issuers to access the debt capital markets. Furthermore, in many cases, this deterioration has resulted in reduced trading liquidity, increased interest rates on debt issues due to wider spreads over comparable U.S. Treasury issues, and more restrictive covenants. Recent declines in bank prime interest rates could adversely affect the Company if its fixed rate liabilities exceed its fixed rate assets or if the rates on its variable rate assets decline to a greater extent or sooner than the rates on its variable rate liabilities. The Company could also be adversely affected to the extent that the interest rates paid on its debt liabilities remain fixed while the interest rates earned on its variable rate assets decline.

BUSINESS

OVERVIEW

Litchfield Financial Corporation (the "Company") is a diversified finance company that provides financing to creditworthy borrowers for assets not typically financed by banks. The Company provides such financing by purchasing consumer loans and by making loans to businesses secured by consumer receivables or other assets.

The Company purchases consumer loans (the "Purchased Loans") consisting primarily of loans to purchasers of rural and vacation properties ("Land Loans") and vacation ownership interests popularly known as timeshare interests ("VOI Loans"). The Company also provides financing to rural land dealers, timeshare resort developers and other finance companies secured by receivables ("Hypothecation Loans") and to dealers and developers for the acquisition and development of rural land and timeshare resorts ("A&D Loans"). In addition, the Company purchases other loans, such as consumer home equity loans, mortgages and construction loans, and provides financing to other businesses secured by receivables or other assets ("Other Loans").

The principal sources of the Company's revenues are (i) interest and fees on loans, (ii) gains on sales of loans and (iii) servicing and other fee income. Gains on sales of loans are based on the difference between the allocated cost basis of the assets sold and the proceeds received, which includes the fair value of any assets or liabilities that are newly created as a result of the transaction. Because a significant portion of the Company's revenues is comprised of gains realized upon sales of loans, the timing of such sales has a significant effect on the Company's results of operations.

CHARACTERISTICS OF THE SERVICED PORTFOLIO, LOAN PURCHASES AND ORIGINATIONS

The following table shows the growth in the diversity of the Serviced Portfolio from primarily Purchased Loans to a mix of Purchased Loans, Hypothecation Loans, A&D Loans and Other Loans:

	DECEMBER 31, 1997					SEPT. 30,
	1993	1994	1995	1996	1997	1998
Purchased Loans	89.0%	85.3%	81.6%	67.1%	56.6%	42.6%
Hypothecation Loans	5.0	9.0	12.5	20.7	26.9	34.0
A&D Loans	4.3	3.3	3.1	8.7	13.7	12.1
Other Loans	1.7	2.4	2.8	3.5	2.8	11.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The following table shows the growth in the diversity of the Company's originations from primarily Purchased Loans to a mix of Purchased Loans, Hypothecation Loans, A&D Loans and Other Loans:

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPT. 30,	
	1993	1994	1995	1996	1997	1997	1998
Purchased Loans	77.8%	67.6%	71.4%	49.9%	30.3%	34.4%	16.7%
Hypothecation Loans	11.8	22.2	20.9	29.6	37.1	34.6	48.5
A&D Loans	7.1	6.0	3.1	14.4	24.0	22.6	12.1
Other Loans	3.3	4.2	4.6	6.1	8.6	8.4	22.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Purchased Loans

The Company provides indirect financing to consumers through a large number of experienced land dealers and resort developers from which it regularly purchases Land Loans and VOI Loans. The dealers and resort developers make loans to consumers generally using the Company's standard forms and subject to the

Company's underwriting criteria. The Company then purchases such loans from the land dealers and resort developers on an individually approved basis in accordance with its credit guidelines.

Each land dealer and resort developer from whom the Company purchases loans is interviewed by the Company and approved by its credit committee. Management evaluates each land dealer's and resort developer's experience, financial statements and credit references and inspects a substantial portion of the land dealer's and resort developer's inventory of land and VOIs prior to approval of loan purchases.

In order to enhance the creditworthiness of loans purchased from land dealers and resort developers, the Company typically requires land dealers and resort developers to guarantee payment of the loans and typically retains a portion of the amount payable by the Company to each land dealer and resort developer on purchase of the loan. The retained portion, or reserve, is released to the land dealer or resort developer as the related loan is repaid.

Prior to purchasing Land Loans or VOI Loans, the Company evaluates the credit and payment history of each borrower in accordance with it's underwriting guidelines, performs borrower interviews on a sample of loans, reviews the documentation supporting the loans for completeness and obtains an appropriate opinion from local legal counsel. The Company purchases only those loans which meet its credit standards.

The Company also purchases portfolios of seasoned loans primarily from land dealers and resort developers. The land dealers or resort developers typically guarantee the loans sold and the Company typically withholds a reserve as described above. Management believes that the portfolio acquisition program is attractive to land dealers and resort developers because it provides them with liquidity to purchase additional inventory. The Company also purchases portfolios of seasoned loans from financial institutions and others. Sellers generally do not guarantee such loans, but the Company sets aside a portion of the purchase discount as an allowance for future loan losses.

In evaluating such seasoned portfolios, the Company conducts its normal review of the borrower's documentation, payment history and underlying collateral. However, the Company may not always be able to reject individual loans.

The Company's portfolio of Purchased Loans is secured by property located in 38 states.

	PRINCIPAL AMOUNT OF LOANS					
	DECEMBER 31,					SEPT. 30,
	1993	1994	1995	1996	1997	1998
Southwest	18%	19%	16%	26%	30%	31%
South	33	37	31	31	31	31
West	2	3	20	20	17	19
Mid-Atlantic	17	16	16	10	10	8
Northeast	30	25	17	13	12	11
Total	100%	100%	100%	100%	100%	100%

a. Land Loans

Dealers from whom the Company purchases Land Loans are typically closely-held firms with annual revenues of less than $3.0 million. Dealers generally purchase large rural tracts (generally 100 or more acres) from farmers or other owners and subdivide the property into one to twenty acre parcels for resale to consumers. Generally the subdivided property is not developed significantly beyond the provision of graded access roads. In recreational areas, sales are made primarily to urban consumers who wish to use the property for a vacation or retirement home or for recreational purposes such as fishing, hunting or camping. In other rural areas, sales are more commonly made to persons who will locate a manufactured home on the parcel. The aggregate principal amount of Land Loans purchased from individual dealers during the nine months ended September 30, 1998 varied significantly from a low of approximately $6,300 to a high of approximately $4.7 million. As of September 30, 1998 and December 31, 1997, the five largest dealers accounted for approximately 21.1% and 18.4%, respectively, of the principal amount of the Land Loans in the Serviced Portfolio. No single dealer accounted for more than 5.4% and 5.0% at September 30, 1998 and at December 31, 1997.

As of September 30, 1998 and December 31, 1997, 37.6% and 47.0%, respectively, of the Serviced Portfolio consisted of Land Loans. The average principal balance of such Land Loans was approximately $13,000 at both September 30, 1998 and December 31, 1997. The following table sets forth as of September 30, 1998 the distribution of Land Loans in the Company's Serviced Portfolio:

PRINCIPAL BALANCE	PRINCIPAL AMOUNT	PERCENTAGE OF PRINCIPAL AMOUNT	NUMBER OF LOANS	PERCENTAGE OF NUMBER OF LOANS
Less than $10,000	$ 29,083,000	18.5%	5,586	46.3%
$10,000-$19,999	60,720,000	38.7	4,261	35.4
$20,000 and greater	67,288,000	42.8	2,210	18.3
Total	$157,091,000	100.0%	12,057	100.0%

As of September 30, 1998 and December 31, 1997, the weighted average interest rate of the Land Loans included in the Company's Serviced Portfolio was 12.1%. The weighted average remaining maturity was 12.0 and 12.1 years, respectively, at September 30, 1998 and December 31, 1997. The following table sets forth as of September 30, 1998 the distribution of interest rates payable on the Land Loans:

INTEREST RATE	PRINCIPAL AMOUNT	PERCENTAGE OF PRINCIPAL AMOUNT
Less than 12.0%	$ 55,256,000	35.2%
12.0%-13.9%	77,018,000	49.0
14.0% and greater	24,817,000	15.8
Total	$157,091,000	100.0%

As of September 30, 1998 and December 31, 1997, the Company's Land Loan borrowers resided in 50 states, the District of Columbia and nine and two territories or foreign countries, respectively.

b. VOI Loans

The Company purchases VOI Loans from various resort developers. The Company generally targets small to medium size resorts with completed amenities and established property owners associations. These resorts participate in programs that permit purchasers of VOIs to exchange their timeshare intervals for timeshare intervals in other resorts around the world. During the nine months ended September 30, 1998, the Company acquired approximately $1,712,000 of VOI Loans. As of September 30, 1998 and December 31, 1997, the five largest developers accounted for approximately 35.9% and 36.6%, respectively, of the principal amount of the VOI Loans in the Serviced Portfolio. No single developer accounted for more than 9.5% at September 30, 1998 or at December 31, 1997.

As of September 30, 1998 and December 31, 1997, 5.0% and 9.6%, respectively, of the Serviced Portfolio consisted of VOI Loans. The average principal balance of such VOI Loans was approximately $3,500 and $3,600, respectively. The following table sets forth as of September 30, 1998 the distribution of VOI Loans:

PRINCIPAL BALANCE	PRINCIPAL AMOUNT	PERCENTAGE OF PRINCIPAL AMOUNT	NUMBER OF LOANS	PERCENTAGE OF NUMBER OF LOANS
Less than $4,000	$ 8,026,000	38.4%	3,863	63.9%
$4,000-$5,999	7,190,000	34.4	1,446	23.9
$6,000 and greater	5,668,000	27.2	737	12.2
Total	$20,884,000	100.0%	6,046	100.0%

As of September 30, 1998 and December 31, 1997, the weighted average interest rate of the VOI Loans included in the Company's Serviced Portfolio was 14.6% and the weighted average remaining maturity was 3.7 years. The following table sets forth as of September 30, 1998 the distribution of interest rates payable on the VOI Loans:

INTEREST RATE	PRINCIPAL AMOUNT	PERCENTAGE OF PRINCIPAL AMOUNT
Less than 14.0%	$ 8,853,000	42.4%
14.0%-15.9%	5,058,000	24.2
16.0% and greater	6,973,000	33.4
Total	$20,884,000	100.0%

As of September 30, 1998 and December 31, 1997, the Company's VOI borrowers resided in 50 states, the District of Columbia and four territories or foreign countries.

(2) Hypothecation Loans

The Company extends Hypothecation Loans to land dealers and resort developers and other businesses secured by receivables. The Company has expanded its marketing of Hypothecation Loans to include loans to other finance companies secured by other types of collateral. These loans may be larger than the Company's average Hypothecation Loans and may provide the Company with an option to take an equity position in the borrower. During the nine months ended September 30, 1998, the Company extended or acquired approximately $124.5 million of Hypothecation Loans, of which $20.4 million, or 16.4%, were secured by Land Loans, $62.6 million, or 50.3%, were secured by VOI Loans and $41.5 million, or 33.3%, were secured by other types of collateral such as tax lien certificates, accounts receivable and mortgages.

The Company typically extends Hypothecation Loans based on advance rates of 75% to 90% of the eligible receivables which serve as collateral. The Company's Hypothecation Loans are typically made at variable rates based on the prime rate of interest plus 2% to 4%. As of September 30, 1998 and December 31, 1997, the Company had $142.0 million and $81.9 million of Hypothecation Loans outstanding, none of which were 30 days or more past due. During the three months ended March 31, 1998, the Company acquired a $17.0 million participation interest in a Hypothecation Loan from another financial institution. As planned, in May of 1998, the Company purchased the underlying receivables, which the Company has reclassified as Other Loans. The proceeds of the receivables purchased were applied to pay off the Company's participation interest. At September 30, 1998, Hypothecation Loans ranged in size from $4,400 to $18.2 million with an average principal balance of $1,480,000. At December 31, 1997, Hypothecation Loans ranged in size from $7,800 to $8.7 million with an average balance of $1,204,000. The five largest Hypothecation Loans represented 13.2% and 10.7% of the Serviced Portfolio at September 30, 1998 and December 31, 1997, respectively.

(3) A&D Loans

The Company also makes A&D Loans to dealers and developers for the acquisition and development of rural and timeshare resorts in order to finance additional receivables generated by the A&D Loans. During the nine months ended September 30, 1998, the Company made $31.1 million of A&D Loans to land dealers and resort developers, of which $12.2 million, or 39.2%, were secured by land, $18.9 million, or 60.8%, were secured by resorts under development.

The Company generally makes A&D Loans to land dealers and resort developers based on loan to value ratios of 60% to 80% at variable rates based on the prime rate plus 2% to 4%. As of September 30, 1998 and December 31, 1997, the Company had $50.3 million and $41.7 million, respectively, of A&D Loans outstanding, none of which were 30 days or more past due. At September 30, 1998 and December 31, 1997, A&D Loans were secured by timeshare resort developments and rural land subdivisions in 19 states and one territory and 18 states and one territory, respectively. A&D Loans ranged in size from $1,700 to $8.8 million with an average principal balance of $661,000 at September 30, 1998. A&D Loans ranged in size from $7,800 to $7.3 million with an average principal balance of $622,000 at December 31, 1997. The five largest A&D Loans represented 4.8% and 6.1%, of the Serviced Portfolio at September 30, 1998 and December 31, 1997, respectively.

(4) Other Loans

At September 30, 1998, Other Loans consisted primarily of consumer home equity, mortgage and construction loans, builder construction loans and other secured commercial loans. Historically, the Company has made or acquired certain other secured and unsecured loans to identify additional lending opportunities or lines of business for possible future expansion as it did with VOI Loans and Hypothecation Loans. In May of 1998, the Company purchased 232 builder construction loans totaling $32.7 million, a portion of which had previously been collateral for the Hypothecation Loan in which the Company owned a participation interest. At September 30, 1998, the Company had 187 builder construction loans totaling $32.2 million. The Company had $47.2 million and $8.5 million of Other Loans, 1.21% and 1.97% of which were 90 days or more past due at September 30, 1998 and December 31, 1997, respectively. At September 30, 1998, Other Loans ranged in size from less than $500 to $868,600 with an average principal balance of $63,500. At December 31, 1997, Other Loans ranged in size from less than $500 to $151,000 with an average principal balance of $13,800. The five largest Other Loans represent 0.9% and 0.2% of the Serviced Portfolio at September 30, 1998 and December 31, 1997, respectively.

LOAN UNDERWRITING

The Company has established loan underwriting criteria and procedures designed to reduce credit losses on its Serviced Portfolio. The loan underwriting process includes reviewing each borrower's credit history. In addition, the Company's underwriting staff routinely conducts telephone interviews with a sample of borrowers. The primary focus of the Company's underwriting is to assess the likelihood that the borrower will repay the loan as agreed by examining the borrower's credit history through credit reporting bureaus.

The Company's loan policy is to purchase Land and VOI Loans from $3,000 to $50,000. On a case by case basis, the Company will also consider purchasing such loans in excess of $50,000. As of September 30, 1998, the Company had 158 Land Loans exceeding $50,000 representing 0.8% of the number of such loans in the Serviced Portfolio, for a total of $11.3 million. There were no VOI Loans exceeding $50,000 as of September 30, 1998. The Company will originate Hypothecation Loans up to $15 million and A&D Loans up to $10 million. From time to time, the Company may have an opportunity to originate larger Hypothecation Loans or A&D Loans in which case the Company would seek to participate such loans with other financial institutions. Construction Loans greater than $200,000 and any other loans greater than $100,000 must be approved by the Credit Committee which is comprised of the Chief Executive Officer, Executive Vice President, Chief Financial Officer and two Senior Vice Presidents.

COLLECTIONS AND DELINQUENCIES

Management believes that the relatively low delinquency rate for the Serviced Portfolio is attributable primarily to the application of its underwriting criteria, as well as to dealer guarantees and reserves withheld from dealers and developers. No assurance can be given that these delinquency rates can be maintained in the future.

Collection efforts are managed and delinquency information is analyzed at the Company's headquarters. Unless circumstances otherwise dictate, collections are generally made by mail and telephone. Collection efforts begin when an account is seven days past due, at which time the Company sends out a late notice. When an account is fifteen days past due, the Company attempts to contact the borrower to determine the reason for the delinquency and to attempt to cause the account to become current. If the status of the account continues to deteriorate, an analysis of that delinquency is undertaken by the collection manager to determine the appropriate action. When the loan is 90 days past due in accordance with its original terms and it is determined that the amounts cannot be collected from the dealer or developer guarantees or reserves, the loan is generally placed on a nonaccrual status and the collection manager determines the action to be taken. The determination of how to work out a delinquent loan is based upon many factors, including the borrower's payment history and the reason for the current inability to make timely payments. When a guaranteed loan becomes 60 days (90 days in some cases) past due, in addition to the Company's collection procedures, the Company generally obtains the assistance of the dealer or developer in collecting the loan.

The Company extends a limited number of its loans for reasons the Company considers acceptable such as temporary loss of employment or serious illness. In order to qualify for a one to three month extension, the customer must make three timely payments without any intervention from the Company. For extensions of four to six months, the customer must make four to six timely payments, respectively, without any intervention from the Company. The Company will not extend a loan more than two times for an aggregate six months over the life of the loan. The Company has extended approximately 1.0% of its loans through September 30, 1998. The Company does not generally modify any other loan terms such as interest rates or payment amounts.

Regulations and practices regarding the rights of the mortgagor in default vary greatly from state to state. To the extent permitted by applicable law, the Company collects late charges and return-check fees and records these items as additional revenue. Only if a delinquency cannot otherwise be cured will the Company decide that foreclosure is the appropriate course of action. If the Company determines that purchasing a property securing a mortgage loan will minimize the loss associated with such defaulted loan, the Company may accept a deed in lieu of foreclosure, take legal action to collect on the underlying note or bid at the foreclosure sale for such property.

Serviced Portfolio

The following table shows the Company's delinquencies and delinquency rates, net of dealer/developer reserves and guarantees for the Serviced Portfolio:

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPT. 30,
	1993	1994	1995	1996	1997	1998
Serviced Portfolio.......	$84,360,000	$105,013,000	$176,650,000	$242,445,000	$304,102,000	$417,455,000
Delinquent loans(1)......	511,000	981,000	3,062,000	3,255,000	3,642,000	4,373,000
Delinquency as a Percentage of Serviced Portfolio.............	.61%	.93%	1.73%	1.34%	1.20%	1.05%

(1) Delinquent loans are those which are 30 days or more past due which are not covered by dealer/developer reserves or guarantees and not included in other real estate owned.

Land Loans

The following table shows the Company's delinquencies and delinquency rates, net of dealer/developer reserves and guarantees for Land Loans in the Serviced Portfolio:

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPT. 30,
	1993	1994	1995	1996	1997	1998
Land Loans in Serviced Portfolio	$77,258,000	$90,502,000	$97,266,000	$119,370,000	$142,828,000	$157,091,000
Delinquent Land Loans(1)	511,000	981,000	1,059,000	1,920,000	2,453,000	3,056,000
Delinquency as a Percentage of Land Loans in Serviced Portfolio	.66%	1.08%	1.09%	1.61%	1.72%	1.95%

(1) Delinquent loans are those which are 30 days or more past due which are not covered by dealer/developer reserves or guarantees and not included in other real estate owned.

VOI Loans

The following table shows the Company's delinquencies and delinquency rates, net of dealer/developer reserves and guarantees for VOI Loans in the Serviced Portfolio:

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPT. 30,
	1993	1994	1995	1996	1997	1998
VOI Loans in Serviced Portfolio	$1,434,000	$2,851,000	$46,700,000	$43,284,000	$29,232,000	$20,884,000
Delinquent VOI Loans(1)	--	--	1,958,000	1,316,000	739,000	394,000
Delinquency as a percentage of VOI Loans in Serviced Portfolio	--	--	4.19%	3.04%	2.53%	1.89%

(1) Delinquent loans are those which are 30 days or more past due which are not covered by dealer/developer reserves or guarantees and not included in other real estate owned.

Hypothecation, A&D and Other Loans

The Company did not have any delinquent Hypothecation Loans or A&D Loans for the years ended December 31, 1993 through December 31, 1997 or for the nine months ended September 30, 1998. The Company did not have significant amounts of delinquent Other Loans for the years ended December 31, 1993 through December 31, 1996. At December 31, 1997, there were $8.5 million of Other Loans of which $450,000 or 5.3% were 30 days or more past due and not covered by dealer/developer reserves or guarantees and not included in other real estate owned. At September 30, 1998, there were $47.2 million of Other Loans of which $924,000 or 2.0% were 30 days or more past due and not covered by dealer/developer reserves or guarantees and not included in other real estate owned.

ALLOWANCE FOR LOAN LOSSES, NET CHARGE-OFFS AND DEALER RESERVES

The following is an analysis of the total allowances for all loan losses:

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPT. 30,
	1993	1994	1995	1996	1997	1998
Allowance, beginning of year........	$ 498,000	$1,064,000	$1,264,000	$3,715,000	$4,528,000	$5,877,000
Provision for loan losses...........	620,000	559,000	890,000	1,954,000	1,400,000	1,170,000
Net charge-offs of uncollectible accounts..........................	(493,000)	(359,000)	(946,000)	(1,965,000)	(2,010,000)	(1,505,000)
Allocation of purchase adjustment(1).....................	439,000	--	2,507,000	824,000	1,959,000	964,000
Allowance, end of year.............	$1,064,000	$1,264,000	$3,715,000	$4,528,000	$5,877,000	$6,506,000

(1) Represents allocation of purchase adjustment related to purchase of certain nonguaranteed loans.

The following is an analysis of net charge-offs by major loan and collateral types experienced by the Company:

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPT. 30,
	1993	1994	1995	1996	1997	1998
Land Loans...............	$493,000	$359,000	$546,000	$ 669,000	$ 986,000	$ 861,000
VOI Loans................	--	--	45,000	1,284,000	939,000	460,000
Hypothecation Loans......	--	--	--	--	--	--
A&D Loans................	--	--	352,000	(8,000)	(2,000)	--
Other Loans..............	--	--	3,000	20,000	87,000	184,000
Total net charge-offs....	$493,000	$359,000	$946,000	$1,965,000	$2,010,000	$1,505,000
Net charge-offs as a percentage of the average Serviced Portfolio.............	.69%	.38%	.67%	.94%	.74%	.56%

As part of the Company's financing of Land Loans and VOI Loans, the Company enters into arrangements with most land dealers and resort developers whereby the Company establishes reserves to protect the Company from potential losses associated with such loans. The Company retains a portion of the amount payable to a dealer when purchasing a Land Loan or a VOI Loan and uses the amount retained to absorb loan losses. The Company negotiates the amount of the reserves with the land dealers and resort developers based upon various criteria, two of which are the financial strength of the land dealer or resort developer and the credit risk associated with the loans being purchased. Dealer reserves for Land Loans were $6,420,000, $7,555,000 and $8,321,000 at December 31, 1995, 1996 and 1997, respectively, and $8,269,000 at September 30, 1998. Developer reserves for VOI Loans amounted to $3,224,000, $3,072,000 and $2,299,000 at December 31, 1995, 1996 and 1997, respectively, and $1,759,000 at September 30, 1998. Most dealers and developers provide personal and, when relevant, corporate guarantees to further protect the Company from loss.

LOAN SERVICING AND SALES

The Company retains the right to service all the loans it purchases or originates. Servicing includes collecting payments from borrowers, remitting payments to investors who have purchased the loans, accounting for principal and interest, contacting delinquent borrowers and supervising foreclosure and bankruptcies in the event of unremedied defaults. Substantially all servicing results from the origination and purchase of loans by the Company, and the Company has not historically purchased loan servicing rights except in connection with the purchase of loans. Servicing rates generally approximate .5% to 2% of the principal balance of a loan.

Historically, the Company subcontracted the servicing of its loans to an unaffiliated third party. In July 1998, the Company resumed certain customer service and collection functions. The unaffiliated third party will continue to provide certain data processing and payment processing functions. The Company retains responsibility for servicing all loans as a master servicer.

In 1990, the Company began privately placing issues of pass-through certificates evidencing an undivided beneficial ownership interest in pools of mortgage loans which have been transferred to trusts. The principal and part of the interest payments on the loans transferred to the trust are collected by the Company, as the servicer of the loan pool, remitted to the trust for the benefit of the investors, and then distributed by the trust to the investors in the pass-through certificates.

As of September 30,1998, the Company had sold or securitized a total of approximately $451.6 million in loans. In certain of the Company's issues of pass-through certificates, credit enhancement was achieved by dividing the issue into a senior portion which was sold to the investors and a subordinated portion which was retained by the Company. In certain other of the Company's private placements, credit enhancement was achieved through cash collateral. If borrowers default in the payment of principal or interest on the loans underlying these issues of pass-through certificates, losses would be absorbed first by the subordinated portion or cash collateral account retained by the Company and might, therefore, have to be charged against the allowance for loan losses to the extent dealer guarantees and reserves are not available.

The Company also has a $150.0 million revolving line of credit and sale facility for its land loans as part of an asset backed commercial paper facility with a multi-seller commercial paper conduit. The facility expires in June 2001. As of September 30, 1998, the outstanding balance of the sold or pledged loans securing this facility was $131.4 million. The Company has an additional revolving line of credit and sale facility of $25.0 million with another multi-seller commercial paper conduit. The facility expires in March 2000. As of September 30, 1998, the outstanding aggregate balance of the sold loans under the facility was $11.0 million.

MARKETING AND ADVERTISING

The Company markets its program to rural land dealers and resort developers through brokers, referrals, dealer and developer solicitation, and targeted direct mail. The Company employs three marketing executives based in Lakewood, Colorado, five marketing executives based in Williamstown, Massachusetts, one marketing executive in Atlanta, Georgia and two marketing executives based in Hoover, Alabama. In the last five years the Company has closed loans with over 300 different dealers and developers.

Management believes that the Company benefits from name recognition as a result of its referral, advertising and other marketing efforts. Referrals have been the strongest source of new business for the Company and are generated in the states in which the Company operates by dealers, brokers, attorneys and financial institutions. Management and marketing representatives also conduct seminars for dealers and brokers and attend trade shows to improve awareness and understanding of the Company's programs.

REGULATION

The Company is licensed as a lender, mortgage banker or mortgage broker in 22 of the states in which it operates, and in those states its operations are subject to supervision by state authorities (typically state banking or consumer credit authorities). Expansion into other states may be dependent upon a finding of financial responsibility, character and fitness of the Company and various other matters. The Company is generally subject to state regulations, examination and reporting requirements, and licenses are revocable for cause. The Company is subject to state usury laws in all of the states in which it operates.

The consumer loans purchased or financed by the Company are subject to the Truth-in-Lending Act. The Truth-in-Lending Act contains disclosure requirements designed to provide consumers with uniform, understandable information with respect to the terms and conditions of loans and credit transactions in order to give them the ability to compare credit terms. Failure to comply with the requirements of the Truth-in-

Lending Act may give rise to a limited right of rescission on the part of the borrower. The Company believes that its purchase or financing activities are in substantial compliance in all material respects with the Truth-in-Lending Act.

Origination of the loans also requires compliance with the Equal Credit Opportunity Act of 1974, as amended ("ECOA"), which prohibits creditors from discriminating against applicants on the basis of race, color, sex, age or marital status. Regulation B promulgated under ECOA restricts creditors from obtaining certain types of information from loan applicants. It also requires certain disclosures by the lender regarding consumer rights and requires lenders to advise applicants of the reasons for any credit denial. In instances where the applicant is denied credit or the interest rate charged increases as a result of information obtained from a consumer credit agency, another statute, the Fair Credit Reporting Act of 1970, as amended, requires the lenders to supply the applicant with a name and address of the reporting agency.

COMPETITION

The finance business is highly competitive, with competition occurring primarily on the basis of customer service and the term and interest rate of the loans. Traditional competitors in the finance business include commercial banks, credit unions, thrift institutions, industrial banks and other finance companies, many of which have considerably greater financial, technical and marketing resources than the Company. There can be no assurance that the Company will not face increased competition from existing or new financial institutions or finance companies. In addition, the Company may enter new lines of business that may be highly competitive and may have competitors with greater financial resources than the Company.

The Company believes that it competes on the basis of providing competitive rates and prompt, efficient and complete service, and by emphasizing customer service on a timely basis to attract borrowers whose needs are not met by traditional financial institutions.

EMPLOYEES

As of September 30, 1998, the Company had 103 full-time equivalent employees. None of the Company's employees is covered by a collective bargaining agreement. The Company considers its relations with its employees to be good.

FACILITIES

The Company owns a leasehold interest in approximately 26,000 square feet of office space in Williamstown, Massachusetts, which is used as the Company's headquarters. The initial ten year lease term expires in May 2007 and is renewable at the Company's option for two additional ten year periods. The initial land lease provides for an annual rental of $20,000. The Company also occupies an aggregate of approximately 5,100 square feet of office space in Lakewood, Colorado, pursuant to a lease expiring in January 2001, with an option to renew until 2004, providing for an annual rental of approximately $56,000, including utilities and exterior maintenance expenses. A subsidiary of the Company occupies an aggregate of approximately 6,100 square feet of office space in Hoover, Alabama, pursuant to a lease expiring in December 1999, providing for an annual rental of approximately $60,000.

RATIO OF EARNINGS TO FIXED CHARGES

For the nine-month period ended September 30, 1998 and the last five fiscal years, the ratios of earnings to fixed charges of the Company, computed as set forth below, were as follows:

	YEARS ENDED DECEMBER 31,					NINE MONTHS ENDED
	1993	1994	1995	1996	1997	SEPTEMBER 30, 1998
Ratio of Earnings to Fixed Charges....	2.35	2.37	1.90	2.19	2.01	2.07

For purposes of calculating the ratio of earnings to fixed charges, earnings consist of income before taxes and extraordinary item and fixed charges. Fixed charges consist of interest charges and the amortization of debt expense.

USE OF PROCEEDS

The net proceeds to the Company from the sale of the Series B Notes offered hereby are estimated to be $19,100,000, after deducting the underwriting discount and estimated offering expenses payable by the Company. It is expected that the net proceeds of this Offering will be used for general corporate purposes. Until used for the purposes indicated, the Company will invest the net proceeds of this Offering in short-term investment-grade interest-bearing securities.

DESCRIPTION OF SERIES B NOTES

The Series B Notes are the second issue of Notes to be issued under an indenture dated as of July 15, 1998 by and between the Company and the Bank of New York, as Trustee, as supplemented by a supplemental indenture establishing the terms of the Series B Notes offered hereby. The Indenture, as so supplemented, is referred to herein as the "Indenture."

The following description of the Series B Notes offered hereby supplements the description of the general terms and provisions of the Notes set forth in the accompanying prospectus, to which description reference is hereby made. The following summaries of certain provisions of the Series B Notes and the Indenture do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Indenture. Capitalized terms not otherwise defined in this prospectus supplement and the accompanying prospectus shall have the meanings given to them in the Indenture.

The Series B Notes will be limited in aggregate principal amount to $20,000,000, all of which are being offered hereby, and will be issued as fully-registered Series B Notes only in integral multiples of $1,000.

The Series B Notes will mature on December 1, 2003, and payments of the principal of the Series B Notes will be made at the main office of the Trustee in New York, New York.

The Series B Notes bear interest at the rate of 9.25% per annum from and after the date of delivery, and payments of interest will be made monthly in arrears beginning January 1, 1999 to Noteholders of record as of the close of business on the 15th day of the preceding month.

The Company has covenanted (i) to maintain at all times Permitted Investments with a fair market value at least equal to two times the total amount of interest payable on the Series B Notes on the next interest payment date, and (ii) to maintain on or before ten days prior to and until the next interest payment date, Permitted Investments with a fair market value at least equal to three times the total amount of interest payable on the Series B Notes for such next interest payment date. The Company is required to deliver to the Trustee, within 30 days after the end of each fiscal quarter, an officer's certificate stating that the Company has complied with this covenant. "Permitted Investments" means (i) obligations of, or guaranteed as to principal and interest by, the United States Government, (ii) open market commercial paper of any corporation incorporated under the laws of the United States of America or any State thereof rated "prime-1" or its equivalent by Moody's Investors Service, Inc., or "A-1" or its equivalent by Standard & Poors Corporation, (iii) bankers acceptances or certificates of deposit issued by commercial banks organized under the laws of the United States of America or any political subdivision thereof rated "Aa" or better by Moody's

Investors Service, Inc. or "AA" or better by Standard & Poor's Corporation and having a final maturity of less than one year or (iv) instruments issued by investment companies having a portfolio 90% or more consisting of the type and maturity described in (i), (ii) or (iii) above.

On January 1 of each year, commencing in 2000, the Company will redeem Series B Notes tendered by the last day of October of that year at par plus accrued interest, subject to the amount limitations set forth in the accompanying prospectus. See "Description of Notes -- Redemption of Holder's Options" in the accompanying prospectus.

Beginning December 1, 2000, the Company shall have the option to redeem, upon not less than 30 and not more than 60 days' notice, all or any portion of the Series B Notes. If the Company redeems the Series B Notes prior to maturity, it will pay in cash a redemption price equal to the following percentages of the principal amount of the Series B Notes redeemed, plus interest, to the date fixed for redemption:

IF REDEEMED DURING THE 12 MONTHS BEGINNING	REDEMPTION PRICE
December 1, 2000	103.0%
December 1, 2001	101.5%
December 1, 2002 and thereafter	100.0%

If less than all the Series B Notes are redeemed, the particular Series B Notes to be redeemed will be selected by lot by the Trustee. Notice of redemption will be mailed to each holder of Series B Notes to be redeemed at the address appearing in the registry books for the Series B Notes maintained by the Company.

UNDERWRITING

Pursuant to the Underwriting Agreement, and subject to the terms and conditions thereof, the Underwriter named below has agreed to purchase from the Company the principal amount of Series B Notes set forth below.

NAME OF UNDERWRITER	AMOUNT OF NOTES
McDonald Investments Inc.	$20,000,000
Total	$20,000,000

In the Underwriting Agreement, the Underwriter has agreed, subject to the terms and conditions therein set forth, to purchase all the principal amount of Series B Notes offered hereby if any of such Series B Notes are purchased.

The Underwriter has advised the Company that it proposes initially to offer the Series B Notes to the public at the public offering price set forth on the cover page of this prospectus supplement and to certain dealers at such a price less a concession not in excess of 1.75% of the principal amount. Such dealers may include Key Investments, Inc., an affiliate of McDonald Investments Inc. After the initial public offering, the public offering price and such concessions may be changed.

The offering of the Series B Notes is made for delivery when, as and if accepted by the Underwriter and subject to prior sale and to withdrawal, cancellation or modification of the offer without notice. The Underwriter reserves the right to reject any order for the purchase of Series B Notes.

There is no public market for the Series B Notes, and the Company does not intend to apply for listing of the Series B Notes on the Nasdaq stock market or any securities exchange. The Company has been advised by the Underwriter that, following the public offering of the Series B Notes, the Underwriter presently intends to make a market in the Series B Notes; however, the Underwriter is not obligated to do so, and any market-making activity with respect to the Series B Notes may be discontinued at any time without notice. There can be no assurances as to the liquidity of the public market for the Series B Notes or that an active public market for the Series B Notes will develop. If an active market does not develop, the market price and liquidity of the Series B Notes may be adversely affected.

The Underwriting Agreement provides that the Company will indemnify the Underwriter, and controlling persons, if any, against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments which the Underwriter or any such controlling persons may be required to make in respect thereof.

The Underwriter participating in this Offering may engage in transactions that stabilize, maintain or otherwise affect the price of the Series B Notes. Specifically, the Underwriter may over-allot in connection with the Offering and may bid for and purchase Series B Notes in the open market.

FORWARD-LOOKING STATEMENTS

Except for the historical information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, the matters discussed or incorporated by reference herein are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the risk factors set forth under "Risk Factors" as well as the following: general economic and business conditions; industry trends; changes in business strategy or development plans; availability and quality of management; and availability, terms and deployment of capital. Special attention should be paid to such forward-looking statements including, but not limited to, statements relating to
(i) the Company's ability to execute its growth strategies and to realize its growth objectives and (ii) the Company's ability to obtain sufficient resources to finance its working capital needs and provide for its known obligations.

TABLE OF CONTENTS

PROSPECTIVE INVESTORS MAY RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS. NEITHER THE COMPANY NOR THE UNDERWRITER HAS AUTHORIZED ANYONE TO PROVIDE PROSPECTIVE INVESTORS WITH INFORMATION DIFFERENT FROM THAT CONTAINED IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS. THIS PROSPECTUS SUPPLEMENT IS NOT AN OFFER TO SELL NOR IS IT SEEKING AN OFFER TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED. THE INFORMATION CONTAINED IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS IS CORRECT ONLY AS OF THE DATE OF THE PROSPECTUS SUPPLEMENT AND THE PROSPECTUS, RESPECTIVELY, REGARDLESS OF THE TIME OF THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT OR ANY SALE OF THESE SECURITIES.

$20,000,000

[LITCHFIELD FINANCIAL CORP. LOGO]

9.25% SERIES B NOTES
DUE 2003

PROSPECTUS SUPPLEMENT

NOVEMBER 23, 1998

McDonald Investments Inc.