Item 5. Other Events

In light of recent adverse conditions in the global asset-backed securities, debt and equity markets and related issues facing the registrant, management is focusing its attention on the impact that these conditions may have on earnings for the third quarter ended September 30, 1998. Specifically, management is seeking to assess the viability of additional loan securitization transactions for the foreseeable future, as well as the effect of market conditions on the carrying value of the registrant's interest-only and residual certificate assets. Although the registrant has not completed its evaluation of these issues, among the actions currently being considered by management are
whole loan sale transactions to address liquidity requirements and a write-
down in the value of its residual assets. The registrant therefore anticipates that
earnings for the 1998 third quarter, and as a result, the fiscal year, will be
substantially below published analyst expectations and that the registrant may
incur a loss.

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.

SOUTHERN PACIFIC FUNDING CORPORATION

By:/s/ Peter F. Makowiecki
Name: Peter F. Makowiecki
Title: Chief Financial Officer