

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C.

FORM 10-Q

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

For Quarter Ended September 30, 2000

Commission File Number: 0-9341

SECURITY NATIONAL FINANCIAL CORPORATION  
Exact Name of Registrant.

UTAH

87-0345941

(State or other jurisdiction  
of incorporation or organization)

IRS Identification Number

5300 South 360 West, Salt Lake City, Utah

84123

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including Area Code (801) 264-1060

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class A Common Stock, \$2.00 par value	3,689,893
----- Title of Class	----- Number of Shares Outstanding as of September 30, 2000

Class C Common Stock, \$.20 par value	5,488,312
----- Title of Class	----- Number of Shares Outstanding as of September 30, 2000

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES  
FORM 10Q

QUARTER ENDED SEPTEMBER 30, 2000

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SECURITY NATIONAL FINANCIAL CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
(Unaudited)

Revenues:	Nine Months Ended September 30,		Three Months Ended September 30,	
-----	2000	1999	2000	1999
-----	-----	-----	-----	-----
Insurance premiums and other considerations	\$ 9,921,476	\$ 10,008,484	\$ 3,321,587	\$ 3,648,476
Net investment income	8,946,121	7,663,760	3,051,914	2,317,189
Net mortuary and cemetery sales	7,532,068	7,637,360	2,345,776	2,379,157
Realized gains on investments and other assets	37,294	228,622	5,727	2,964
Mortgage fee income	17,095,397	10,483,052	5,987,232	3,763,234
Other	85,909	827,413	19,220	49,351
	-----	-----	-----	-----
Total revenues	43,618,265	36,848,691	14,731,456	12,160,371
Benefits and expenses:				
Death benefits	3,237,944	3,434,847	753,519	1,051,554
Surrenders and other policy benefits	1,193,033	2,958,351	(169,173)	422,918
Increase in future policy benefits	4,434,555	2,355,085	2,224,220	911,014
Amortization of deferred policy acquisition costs and cost of insurance acquired	3,560,269	3,772,447	1,242,677	1,246,271
General and administrative expenses:				
Commissions	13,607,401	8,412,816	4,668,286	3,163,108
Salaries	5,873,284	5,643,863	1,940,123	1,894,696
Other	7,052,318	5,849,460	2,414,573	1,766,703
Interest expense	1,487,213	795,202	593,099	304,943
Cost of goods and services sold of the mortuaries and cemeteries	2,403,645	2,515,351	742,985	790,577
	-----	-----	-----	-----
Total benefits and expenses	42,849,662	35,737,422	14,410,309	11,551,784
Earnings before income taxes	768,603	1,111,269	321,147	608,587
Income tax expense	(189,467)	(368,844)	(79,151)	(209,431)
Minority interest income of subsidiary	(48,026)	(162,635)	(17,366)	(99,004)
	-----	-----	-----	-----
Net earnings	\$ 531,110	\$ 579,790	\$ 224,630	\$ 300,152
	-----	-----	-----	-----
Net earnings per common share	\$0.12	\$0.13	\$0.05	\$0.07
	=====	=====	=====	=====
Weighted average outstanding common shares	4,290,775	4,380,510	4,238,724	4,335,339
	=====	=====	=====	=====
Net earnings per common share-assuming dilution	\$0.12	\$0.13	\$0.05	\$0.07
	=====	=====	=====	=====
Weighted average outstanding common shares assuming-dilution	4,328,662	4,380,510	4,299,717	4,335,339
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	September 30, 2000 (Unaudited)	December 31, 1999
Assets:		
- - - - -		
Insurance-related investments:		
Fixed maturity securities held to maturity, at amortized cost	\$40,492,606	\$39,629,851
Fixed maturity securities available for sale, at market	23,138,763	24,119,190
Equity securities available for sale, at market	5,791,835	5,745,213
Mortgage loans on real estate	17,376,360	18,926,628
Real estate, net of accumulated depreciation	8,210,316	7,629,952
Policy, student and other loans	11,296,180	11,607,993
Short-term investments	893,240	1,290,310
Total insurance-related investments	107,199,300	108,949,137
Restricted assets		
of cemeteries and mortuaries	4,717,655	4,258,987
Cash	3,142,834	12,422,864
Receivables:		
Trade contracts	4,984,927	4,232,030
Mortgage loans sold to investors	29,403,122	29,071,913
Receivable from agents	2,393,251	2,272,624
Receivable from officers	113,000	118,400
Other	3,938,397	3,847,079
Total receivables	40,832,697	39,542,046
Allowance for doubtful accounts	(1,572,169)	(1,467,954)
Net receivables	39,260,528	38,074,092
Policyholder accounts on deposit with reinsurer	7,489,264	7,806,866
Land and improvements held for sale	8,525,926	8,522,687
Accrued investment income	1,563,997	1,493,013
Deferred policy acquisition costs	11,004,693	10,630,086
Property, plant and equipment, net	10,619,210	10,566,508
Cost of insurance acquired	8,151,954	9,597,306
Excess of cost over net assets of acquired subsidiaries	1,199,993	1,305,333
Other	667,835	671,558
Total assets	\$203,543,189	\$214,298,437

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS (Continued)

	September 30, 2000 (Unaudited)	December 31, 1999
	-----	-----
Liabilities:		
-----		
Future life, annuity, and other policy benefits	\$138,811,894	\$138,501,316
Unearned premium reserve	1,299,474	1,866,523
Line of credit for financing of mortgage loans	150,000	8,687,023
Bank loans payable	9,325,818	10,768,098
Notes and contracts payable	3,653,738	3,885,684
Estimated future costs of pre-need sales	6,923,290	6,817,685
Accounts payable	641,557	804,133
Funds held under reinsurance treaties	1,524,487	1,475,512
Other liabilities and accrued expenses	4,296,623	3,219,166
Income taxes	5,964,003	5,736,860
	-----	-----
Total liabilities	172,590,884	181,762,000
Minority interest	4,577,407	6,046,744
Stockholders' Equity:		
Common stock:		
Class A: \$2 par value, authorized 10,000,000 shares, issued 4,864,238 shares in 2000 and 4,863,731 shares in 1999	9,728,476	9,727,462
Class C: \$0.20 par value, authorized 7,500,000 shares, issued 5,550,291 shares in 2000 and 5,555,350 shares in 1999	1,110,058	1,111,070
	-----	-----
Total common stock	10,838,534	10,838,532
Additional paid-in capital	10,015,940	10,015,942
Accumulated other comprehensive income, net of deferred taxes	834,907	665,691
Retained earnings	8,047,750	7,516,640
Treasury stock at cost (1,174,345 Class A shares and 61,979 Class C shares in 2000; 966,139 Class A shares and 61,979 Class C shares in 1999 held by affiliated companies)	(3,362,233)	(2,547,112)
	-----	-----
Total stockholders' equity	26,374,898	26,489,693
	-----	-----
Total liabilities and stockholders' equity	\$203,543,189	\$214,298,437
	=====	=====

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Nine Months Ended September 30, 2000	September 30, 1999
Cash flows from operating activities:		
Net cash provided by operating activities	\$5,024,387	\$1,783,920
Cash flows from investing activities:		
Securities held to maturity:		
Purchase - fixed maturity securities	(4,798,597)	--
Calls and maturities - fixed maturity securities	4,000,900	4,562,415
Securities available for sale:		
Purchases - equity securities	(120,812)	(43,759)
Sales - equity securities	--	--
Calls and maturities - fixed maturity securities	1,321,827	2,746,609
Purchases of short-term investments	(4,988,744)	(7,896,342)
Sales of short-term investments	5,385,814	16,093,963
Purchases of restricted assets	(458,668)	(102,847)
Mortgage, policy, and other loans made	(1,977,673)	(4,619,857)
Payments received for mortgage, policy, and other loans	3,991,477	2,246,096
Purchases of property, plant, and equipment	(698,952)	(394,196)
Purchases of real estate	(845,408)	(368,051)
Net cash provided by investing activities	811,164	12,224,031
Cash flows from financing activities:		
Annuity receipts	6,616,212	7,848,532
Annuity withdrawals	(10,705,423)	(8,385,746)
Repayment of bank loans and notes and contracts payable	(1,674,226)	(5,331,755)
Net change in line of credit for financing of mortgage loans	(8,537,023)	(6,372,446)
Purchase of treasury stock	(815,121)	(405,349)
Net cash used in financing activities	(15,115,581)	(12,646,764)
Net change in cash	(9,280,030)	1,361,187
Cash at beginning of period	12,422,864	6,670,996
Cash at end of period	\$3,142,834	\$8,032,183

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
September 30, 2000  
(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2000, are not necessarily indicative of the results that may be expected for the year ending December 31, 2000. For further information, refer to the consolidated financial statements and footnotes thereto for the year ended December 31, 1999, included in the Company's Annual Report on Form 10-K (file number 0-9341).

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The estimates susceptible to significant change are those used in determining the liability for future policy benefits and claims, those used in determining valuation allowances for mortgage loans on real estate, and those used in determining the estimated future costs for pre-need sales. Although some variability is inherent in these estimates, management believes the amounts provided are adequate.

2. Comprehensive Income

For the nine months ended September 30, 2000 and 1999, total comprehensive income amounted to \$700,326 and \$141,687, respectively. For the three months ended September 30, 2000 and 1999, total comprehensive income amounted to \$534,953 and \$224,330 respectively.

3. Capital Stock

In accordance with SFAS 128, the basic and diluted earnings per share amounts were calculated as follows:

	Nine Months Ended September 30, 2000	1999
Numerator:	-----	-----
Net income	\$531,110	\$579,790
	=====	=====
Denominator:		
Denominator for basic earnings per share-- weighted-average shares	4,290,775	4,380,510
	-----	-----
Effect of dilutive securities:		
Employee stock options	37,887	--
Stock appreciation rights	--	--
	-----	-----
Dilutive potential common shares	37,887	--
	-----	-----
Denominator for diluted earnings per share--adjusted weighted-average shares and assumed conversions	4,328,662	4,380,510
	=====	=====
Basic earnings per share	\$0.12	\$0.13
	=====	=====
Diluted earnings per share	\$0.12	\$0.13
	=====	=====

There are no dilutive effects on net income for purpose of this calculation.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
September 30, 2000  
(Unaudited)

3. Capital Stock (continued)

	Three Months Ended September 30,	
	2000	1999
Numerator:		
Net income	\$224,630	\$300,152
Denominator:		
Denominator for basic earnings per share-- weighted-average shares	4,238,724	4,335,339
Effect of dilutive securities:		
Employee stock options	60,993	--
Stock appreciation rights	--	--
Dilutive potential common shares	60,993	--
Denominator for diluted earnings per share--adjusted weighted-average shares and assumed conversions	4,299,717	4,335,339
Basic earnings per share	\$0.05	\$0.07
Diluted earnings per share	\$0.05	\$0.07

There are no dilutive effects on net income for purpose of this calculation.



SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
September 30, 2000  
(Unaudited)

4. Business Segment

	Life Insurance -----	Cemetery/ Mortuary -----	Mortgage -----	Corporate -----	Reconciling Items -----	Consolidated -----
For the Nine Months Ended September 30, 2000						
Revenues from external customers	\$16,126,298	\$8,097,388	\$19,394,507	\$72	\$ --	\$43,618,265
Intersegment revenues	2,338,051	--	--	2,905,826	(5,243,877)	--
Segment profit	292,744	(373,705)	(134,015)	983,579	--	768,603
Identifiable assets	194,296,776	34,311,249	3,224,196	2,952,276	(31,241,308)	203,543,189
For the Nine Months Ended September 30, 1999						
Revenues from external customers	17,088,867	8,190,945	11,530,989	37,890	--	36,848,691
Intersegment revenues	1,592,254	--	--	2,876,251	(4,468,505)	--
Segment profit	707,166	(143,693)	(48,313)	596,109	--	1,111,269
Identifiable assets	181,051,469	34,303,219	3,243,131	2,154,010	(20,371,190)	200,380,639
For the Three Months Ended September 30, 2000						
Revenues from external customers	5,344,140	2,536,565	6,850,737	14	--	14,731,456
Intersegment revenues	837,007	--	--	973,207	(1,810,214)	--
Segment profit	178,400	(166,598)	(3,027)	312,372	--	321,147
For the Three Months Ended September 30, 1999						
Revenues from external customers	5,352,226	2,567,912	4,213,504	26,729	--	12,160,371
Intersegment revenues	593,166	--	--	960,070	(1,553,236)	--
Segment profit	445,253	(116,203)	53,863	225,674	--	608,587

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
September 30, 2000  
(Unaudited)

5. Acquisition of Southern Security Life Insurance Company  
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On December 17, 1998, the Company purchased all of the outstanding shares of common stock of Consolidare Enterprises, Inc. ("Consolidare") which owned 57.4% of the outstanding shares of common stock of Southern Security Life Insurance Company ("Southern Security"). Since then the Company has purchased 265,770 of additional shares of Southern Security and owns 71% of the outstanding shares.

Item 2. Management's Discussion and Analysis  
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Overview

The Company's operations over the last several years generally reflect three trends or events which the Company expects to continue: (i) increased attention to "niche" insurance products, such as the Company's funeral plan policies and interest sensitive products; (ii) emphasis on cemetery and mortuary business; and (iii) capitalizing on the strong economy in the United States by originating and refinancing mortgage loans.

Results of Operations

Nine Months Ended September 30, 2000 Compared to Nine Months Ended September 30, 1999

Total revenues increased by \$6,770,000, or 18.4%, to \$43,618,000 for the nine months ended September 30, 2000, from \$36,849,000 for the nine months ended September 30, 1999. Contributing to this increase in total revenues was a \$6,612,000 increase in mortgage fee income and a \$1,282,000 increase in net investment income.

Insurance premiums and other considerations decreased by \$87,000, or .9%, to \$9,921,000 for the nine months ended September 30, 2000, from \$10,008,000 for the comparable period in 1999. This decrease was primarily the result of a reduction in universal life policyholder income.

Net investment income increased by \$1,282,000, or 16.7%, to \$8,946,000 for the nine months ended September 30, 2000, from \$7,664,000 for the comparable period in 1999. This increase was primarily attributable to a greater number of loan originations during the nine months of 2000 due to the expansion of business activities in new geographic markets.

Net mortuary and cemetery sales decreased by \$105,000, or 1.4%, to \$7,532,000 for the nine months ended September 30, 2000, from \$7,637,000 for the comparable period in 1999. This decrease was primarily due to fewer pre-need cemetery sales.

Mortgage fee income increased by \$6,612,000, or 63.1%, to \$17,095,000 for the nine months ended September 30, 2000, from \$10,483,000 for the comparable period in 1999. This increase was primarily attributable to a greater number of loan originations during the nine months of 2000 due to the expansion of business activities in new geographic markets.

Total benefits and expenses were \$42,850,000, or 98.2% of total revenues for the nine months ended September 30, 2000, as compared to \$35,737,000, or 97.0% of total revenues for the comparable period in 1999.

Death benefits, surrenders and other policy benefits, and increase in future policy benefits increased by an aggregate of \$117,000, or 1.3%, to \$8,865,000 for the nine months ended September 30, 2000, from \$8,748,000 for the comparable period in 1999. This increase was primarily the result of an increase in interest crediting for policyholder account balances.

Amortization of deferred policy acquisition costs and cost of insurance acquired decreased by \$212,000, or 5.6%, to \$3,560,000 for the nine months ended September 30, 2000, from \$3,772,000 for the comparable period in 1999. This decrease was in line with actuarial assumptions.

General and administrative expenses increased by \$6,627,000, or 33.3%, to \$26,533,000 for the nine months ended September 30, 2000, from \$19,906,000 for the comparable period in 1999. This increase primarily resulted from an increase in commissions and other expenses due to additional mortgage loan originations having been made by the Company's mortgage subsidiary during the nine months of 2000 due to the expansion of its business activities in new geographic markets.

Interest expense increased by \$692,000, or 87.0%, to \$1,487,000 for the nine months ended September 30, 2000, from \$795,000 for the comparable period in 1999. This increase was primarily due to additional warehouse lines of credit required for the additional mortgage loan originations by the Company's mortgage subsidiary.

Cost of goods and services sold of the mortuaries and cemeteries decreased by \$112,000, or 4.4%, to \$2,404,000 for the nine months ended September 30, 2000, from \$2,515,000 for the comparable period in 1999. This decrease was primarily due to fewer pre-need cemetery sales.

#### Third Quarter of 2000 Compared to Third Quarter of 1999

Total revenues increased by \$2,571,000, or 21.1%, to \$14,731,000 for the three months ended September 30, 2000, from \$12,160,000 for the three months ended September 30, 1999. Contributing to this increase in total revenues was a \$2,224,000 increase in mortgage fee income and a \$735,000 increase in net investment income.

Insurance premiums and other considerations decreased by \$327,000, or 9.0%, to \$3,321,000 for the three months ended September 30, 2000, from \$3,648,000 for the comparable period in 1999. This decrease was primarily the result of a reduction in universal life policyholder income.

Net investment income increased by \$735,000, or 31.7%, to \$3,052,000 for the three months ended September 30, 2000, from \$2,317,000 for the comparable period in 1999. This increase was primarily attributable to a greater number of loan originations during the third quarter of 2000, due to the expansion of business activities in new geographic markets.

Net mortuary and cemetery sales decreased by \$33,000, or 1.4%, to \$2,346,000 for the three months ended September 30, 2000, from \$2,379,000 for the comparable period in 1999. This decrease was primarily due to fewer pre-need cemetery sales.

Mortgage fee income increased by \$2,224,000, or 59.1%, to \$5,987,000 for the three months ended September 30, 2000, from \$3,763,000 for the comparable period in 1999. This increase was primarily attributable to a greater number of loan originations during the third quarter of 2000 due to the expansion of business activities in new geographic markets.

Total benefits and expenses were \$14,410,000, or 97.8% of total revenues for the three months ended September 30 2000, as compared to \$11,552,000, or 95.0% of total revenues for the comparable period in 1999.

Death benefits, surrenders and other policy benefits, and increase in future policy benefits increased by an aggregate of \$423,000, or 17.7%, to \$2,808,000 for the three months ended September 30, 2000, from \$2,385,000 for the comparable period in 1999. This increase was primarily the result of an increase in interest crediting for policyholder account balances.

Amortization of deferred policy acquisition costs and cost of insurance acquired decreased by \$4,000, or .3%, to \$1,242,000, for the three months ended September 30, 2000, from \$1,246,000 for the comparable period in 1999. This decrease was in line with actuarial assumptions.

General and administrative expenses increased by \$2,198,000 or 32.2%, to \$9,023,000 for the three months ended September 30, 2000, from \$6,825,000 for the comparable period in 1999. This increase primarily resulted from an increase in commissions and other expenses due to additional mortgage loan originations having been made by the Company's mortgage subsidiary during the third quarter of 2000 as a result of the expansion of its business activities in new geographic markets.

Interest expense increased by \$288,000, or 94.5%, to \$593,000 for the three months ended September 30, 2000, from \$305,000 for the comparable period in 1999. This increase was primarily due to additional warehouse lines of credit required for the additional mortgage loan originations by the Company's mortgage subsidiary.

Cost of goods and services sold of the mortuaries and cemeteries decreased by \$48,000, or 6.0%, to \$743,000 for the three months ended September 30, 2000, from \$791,000 for the comparable period in 1999. This decrease was primarily due to fewer pre-need cemetery sales.

#### Liquidity and Capital Resources

The Company's life insurance subsidiaries and cemetery and mortuary subsidiaries realize cash flow from premiums, contract payments and sales on personal services rendered for cemetery and mortuary business, from interest and dividends on invested assets, and from the proceeds from the maturity of held-to-maturity investments, or sale of other investments. The mortgage subsidiary realizes cash flow from fees generated by originating and refinancing mortgage loans and interest earned on mortgages sold to investors. The Company considers these sources of cash flow to be adequate to fund future policyholder and cemetery and mortuary liabilities, which generally are long-term, and adequate to pay current policyholder claims, annuity payments, expenses on the issuance of new policies, the maintenance of existing policies, debt service, and operating expenses.

The Company attempts to match the duration of invested assets with its policyholder and cemetery and mortuary liabilities. The Company may sell investments other than those held-to-maturity in the portfolio to help in this timing; however, to date, that has not been necessary. The Company purchases short-term investments on a temporary basis to meet the expectations of short-term requirements of the Company's products. The Company's investment philosophy is intended to provide a rate of return which will persist during the expected duration of policyholder and cemetery and mortuary liabilities regardless of future interest rate movements.

The Company's investment policy is to invest predominantly in fixed maturity securities, mortgage loans, and warehouse mortgage loans on a short-term basis before selling the loans to investors in accordance with the requirements and laws governing the life insurance subsidiaries. Bonds owned by the life insurance subsidiaries amounted to \$63,631,000 as of September 30, 2000, compared to \$63,749,000 as of December 31, 1999. This represents 59.4% and 58.5% of the total insurance-related investments as of September 30, 2000, and December 31, 1999, respectively. Generally, all bonds owned by the life insurance subsidiaries are rated by the National Association of Insurance Commissioners. Under this rating system, there are six categories used for rating bonds. At September 30, 2000, 1.6% (\$994,000) and at December 31, 1999, 1.6% (\$994,000) of the Company's total investment in bonds were invested in bonds in rating categories three through six, which are considered non-investment grade.

The Company has classified certain of its fixed income securities, including high-yield securities, in its portfolio as available for sale, with the remainder classified as held to maturity. However, in accordance with Company policy, any such securities purchased in the future will be classified as held to maturity. Business conditions, however, may develop in the future which may indicate a need for a higher level of liquidity in the investment portfolio. In that event the Company believes it could sell short-term investment grade securities before liquidating higher-yielding longer term securities.

The Company is subject to risk based capital guidelines established by statutory regulators requiring minimum capital levels based on the perceived risk of assets, liabilities, disintermediation, and business risk. At September 30, 2000, and December 31, 1999, the life insurance subsidiary exceeded the regulatory criteria.

The Company's total capitalization of stockholders' equity and bank debt and notes payable was \$39,355,000 as of September 30, 2000, as compared to \$41,144,000 as of December 31, 1999. Stockholders' equity as a percent of capitalization increased to 67.0% as of September 30, 2000, from 64.4% as of December 31, 1999.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance in 1999 was 13.2% as compared to a rate of 6.0% for 1998. The 2000 lapse rate is approximately the same as 1999.

At September 30, 2000, \$20,819,000 of the Company's consolidated stockholders' equity represents the statutory stockholders' equity of the Company's life insurance subsidiaries. The life insurance subsidiaries cannot pay a dividend to its parent company without the approval of insurance regulatory authorities.

### Item 3. Quantitative and Qualitative Disclosure of Market Risk

There have been no significant changes since the annual report Form 10-K filed for the year ended December 31, 1999.

#### Part II Other Information:

##### Item 1. Legal Proceedings

Security National Mortgage Company ("Security National Mortgage"), a wholly-owned subsidiary of the Company, has been notified that it may be subject to an administrative action by the U.S. Department of Housing and Urban Development ("HUD"). By way of letter from HUD to Security National Mortgage dated February 15, 2000 and received on February 25, 2000, Security National Mortgage was advised "that the Mortgagee Review Board" of HUD "is considering an administrative action against Security National Mortgage ... pursuant to 24 CFR Part 25 ... and a civil money penalty pursuant to 24 CFR part 30 ...." In the letter, HUD set forth alleged violations of HUD/Federal Housing Administration ("FHA") requirements which included among such violations: (1) failure to comply with Security National Mortgage's own policy and procedures outlined in a July 17, 1997 letter to HUD; (2) acceptance of loans originated by personnel not employed by or not exclusively employed by Security National Mortgage; (3) acceptance of loans originated by non-HUD approved entities; (4) payment of fees and compensation to unauthorized entities or individuals in connection with FHA insured mortgages; and (5) certification of inaccurate HUD-1s.

Concerning the administrative action by HUD relating to the above allegations, dependent upon the facts and circumstances, HUD asserts it has alternatives such as settlement, issuing a letter of reprimand, placing Security National Mortgage on probation or even suspending or withdrawing Security National Mortgage's approval function as a HUD/FHA lender. The letter indicates that the Mortgagee Review Board intends to seek a civil money penalty. With respect to any civil money penalty, which would be in addition to the foregoing, the letter from HUD states that the "amount of the civil money penalty shall not exceed \$5,500 for each such listed or described violation" and that a "continuing violation may constitute a separate violation for each day that violation continues."

A settlement was entered into between HUD and the Company. Included in the settlement is an indemnification of HUD relative to 18 identified loans including the providing of an irrevocable letter of credit in the amount of \$30,000 as additional security for the indemnification, and payment of \$75,000 as a civil money penalty.

On or about March 6, 2000, Kelly Darrow ("Darrow") filed a Charge of Discrimination with the Labor Commission of Utah, Anti-Discrimination Division against Security National Mortgage Company. It is asserted that Security National Mortgage violated the Americans with Disabilities Act of 1990 ("ADA") as amended, and the Utah Anti-Discrimination Act of 1965 ("UAD") as amended, for the alleged reasons of "demoted, denied promotion,

received less pay than others, denied reasonable accommodation for ... disability, forced to go on contract vendor status, and when ... complained of the treatment ... was fired." Darrow withdrew the charge in favor of a "right to sue letter" so as to be able to file a suit in federal court. Remedies which may be sought include back pay and benefits, attorneys' fees, reinstatement and punitive damages. This matter has been settled.

The Company is not a party to any other legal proceedings outside the ordinary course of the Company's business or to any other legal proceedings which, adversely determined, would have a material adverse effect on the Company or its business.

Item 2. Changes in Securities

NONE

Item 3. Defaults Upon Senior Securities

NONE

Item 4. Submission of Matters to a Vote of Security Holders

NONE

Item 5. Other Information

NONE

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 3. A. Articles of Restatement of Articles of Incorporation (8)
- B. Bylaws (1)

4. A. Specimen Class A Stock Certificate (1)

B. Specimen Class C Stock Certificate (1)

C. Specimen Preferred Stock Certificate and Certificate of Designation of Preferred Stock (1)

- 10. A. Restated and Amended Employee Stock Ownership Plan and Trust Agreement (1)
- B. Deferred Compensation Agreement with George R. Quist (2)
- C. 1993 Stock Option Plan (3)
- D. Promissory Note with Key Bank of Utah (4)
- E. Loan and Security Agreement with Key Bank of Utah (4)
- F. General Pledge Agreement with Key Bank of Utah (4)
- G. Note Secured by Purchase Price Deed of Trust and Assignment of Rents with the Carter Family Trust and the Leonard M. Smith Family Trust (5)
- H. Deed of Trust and Assignment of Rents with the Carter Family Trust and the Leonard M. Smith Family Trust (5)
- I. Promissory Note with Page and Patricia Greer (6)
- J. Pledge Agreement with Page and Patricia Greer (6)
- K. Promissory Note with Civil Service Employees Insurance Company (7)
- L. Deferred Compensation Agreement with William C. Sargent (8)
- M. Employment Agreement with Scott M. Quist. (8)
- N. Acquisition Agreement with Consolidare Enterprises, Inc., and certain shareholders of Consolidare. (9)
- O. Agreement and Plan of Merger between Consolidare Enterprises, Inc., and SSLIC Holding Company.(10)
- P. Administrative Services Agreement with Southern Security Life Insurance Company. (11)

- Q. Promissory Note with George R. Quist. (12)
- R. Settlement Agreement with Capitol Indemnity Corporation, George A. Fait, and Joel G. Fait. (13)
- (1) Incorporated by reference from Registration Statement on Form S-1, as filed on June 29, 1987.
  - (2) Incorporated by reference from Annual Report on Form 10-K, as filed on March 31, 1989.
  - (3) Incorporated by reference from Annual Report on Form 10-K, as filed on March 31, 1994.
  - (4) Incorporated by reference from Report on Form 8-K, as filed on February 24, 1995.
  - (5) Incorporated by reference from Annual Report on Form 10K, as filed on March 31, 1995.
  - (6) Incorporated by reference from Report on Form 8-K, as filed on May 1, 1995.
  - (7) Incorporated by reference from Report on Form 8-K, as filed on January 16, 1996.
  - (8) Incorporated by reference from Annual Report on Form 10-K, as filed on March 31, 1998.
  - (9) Incorporated by reference from Report on Form 8-K, as filed on May 11, 1998.
  - (10) Incorporated by reference from Report on Form 8-K, as filed on January 4, 1999.
  - (11) Incorporated by reference from Report on Form 8-K, as filed on March 4, 1999.
  - (12) Incorporated by reference from Annual Report on Form 10-K, as filed on April 14, 1999.
  - (13) Incorporated by reference from Quarterly Report on Form 10-Q, as filed on August 21, 2000.

27. Financial Data Schedule

(b) Reports on Form 8-K:

NONE

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 thereunto duly authorized.

REGISTRANT  
SECURITY NATIONAL FINANCIAL CORPORATION  
Registrant

DATED: November 14, 2000  
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By: George R. Quist,  
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Chairman of the Board,  
President and Chief Executive  
Officer (Principal Executive  
Officer)

DATED: November 14, 2000  
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By: Scott M. Quist  
-----  
First Vice President, General  
Counsel, Treasurer and Director  
(Principal Financial and  
Accounting Officer)





9-MOS  
DEC-31-1999

SEP-30-2000

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