

**UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

In re American Business Financial Services Inc. Noteholders Litigation	X ∴ ∴ ∴ X	Master File No. 05-232
---	-----------------------	------------------------

**NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION,
MOTION FOR ATTORNEY’S FEES AND COSTS AND HEARING ON NOVEMBER 3, 2008**

**If you bought American Business Financial Services Notes,
Debentures or Money Market Notes (the “Notes”) between
January 18, 2002 and January 20, 2005 (the “Class Period”),
you could get a payment from a class action settlement.**

A federal court authorized this Notice. This is not a solicitation from a lawyer.

- This Settlement will provide \$16,767,500 in cash, plus interest (the “Settlement” and the “Settlement Amount”), to pay claims of persons (the “Class”) who, during the Class Period, bought or rolled over Notes issued by American Business Financial Services Inc. (“American Business” or the “Company”).
- The Settlement Amount is about 2.5% of the total amount owed to all Class members for principal and interest on the Notes at the time the Company filed for Bankruptcy in January 2005. In addition, the Trustee in Bankruptcy for the Company’s Bankruptcy proceedings (the “Trustee” and the “Bankruptcy”) has settled for an additional \$16,767,500 for the benefit of the Bankruptcy estate (the “Trustee Settlement” and the “Trustee Settlement Amount”). Noteholder Class members’ claims represent over 75% of the dollar amount of the claims filed in the Bankruptcy that have not yet been paid (though some Bankruptcy claimants have higher priority than some or all Class members). It is hoped that there will be additional recoveries for the benefit of the Class and/or the Bankruptcy estate against other defendants, though there can be no assurance this will occur.
- Plaintiffs believe that this is a good Settlement, because the Settlement Amount represents a substantial recovery. Also, the Settlement Amount represents a high percentage of the assets available for payment of claims asserted against the particular Defendants in this class action, as described below.
- The lawyers for Plaintiffs and the Class (“Class Counsel”) have spent thousands of hours over three and a half years in bringing and litigating this class action suit on a contingent fee basis. They have advanced all the expenses of the lawsuit. Plaintiffs intend to ask Judge Thomas N. O’Neill, Jr., who is in charge of this case (the “Court”) to award Class Counsel fees of up to 30% of the Settlement Amount, and reimbursement of litigation expenses of not more than \$325,000.
- Your legal rights are affected whether you act, or don’t act, in response to this Notice.

**PLEASE READ THIS NOTICE CAREFULLY, YOUR LEGAL RIGHTS AND OPTIONS
IN THIS SETTLEMENT ARE LISTED BELOW**

WHAT YOU CAN DO	WHAT WILL RESULT
SUBMIT A CLAIM FORM	The only way to get a payment.
EXCLUDE YOURSELF OR OPT OUT	Get no payment. This allows you to sue Defendants on your own about the claims in this case, hiring your own attorneys.
OBJECT BUT REMAIN IN THE SETTLEMENT	Write to the Court about why you don’t like the Settlement, the Plan of Allocation, or the request for Class Counsel’s fees and costs or for Plaintiffs’ Expense Awards. The Court will consider your objection. You will still get a payment, if you file a valid, approved Proof of Claim, and if the Court approves the Settlement.
WITHDRAW YOUR PRIOR EXCLUSION	Even if you asked to be excluded from the Class in response to the Notice dated May 2, 2008 (which informed you that this class action is pending), you can withdraw that exclusion and get a payment if you file a valid, approved Proof of Claim, and if the Court approves the Settlement.
GO TO A HEARING	The Court will conduct a hearing on November 3, 2008. This hearing is open to the public. It will take place at 11:00 o’clock in Courtroom 4A at 601 Market Street, Philadelphia, PA 19103. To speak at the hearing about any objection you may have filed, you will need to give advance written notice to the Court and the parties.
DO NOTHING	Get no payment. Give up your rights.

QUESTIONS? CALL 1-800-768-8450 TOLL FREE, OR VISIT
WWW.HRSCLAIMSADMINISTRATION.COM

- The Settlement and the Trustee Settlement release and dispose of claims against the Company’s former officers and directors. The Settlement Amount and the Trustee Settlement Amount represent substantially all of the assets believed to be available for payment of claims asserted against former officers and directors, considering insurance proceeds and the assets of the Officer Defendants. (Defendants who were outside directors, and thus not members of management, generally have stronger defenses against the claims asserted.)
- Plaintiffs, on behalf of the Class, seek to recover additional amounts by continuing to pursue claims against the accounting company, BDO Seidman, LLP (“BDO”), the Company’s outside auditor during the Class Period. On behalf of the Bankruptcy estate, the Trustee continues to pursue claims against a number of different parties, including Wall Street investment firms. (In order to participate in any distribution of money from the Bankruptcy estate, you should have filed a proof of claim in the Bankruptcy proceedings. If you have questions about the Bankruptcy, please refer to www.ABFSonline.com.)
- After Class Counsel’s fees and expenses are deducted, as well as expenses related primarily to the Holdback (see Question 9), sending notice, processing claims, and paying Plaintiffs’ Expense Awards, the rest (the “Net Settlement Fund”) of the Settlement Amount will be distributed to Class members based on the amount American Business owed each Class member for their Notes (principal and interest) as of January 2005. Your actual recovery will depend on how many Class members submit valid Proof of Claim forms, the amount the Court awards for fees and various expenses, and other factors. See Questions 10 and 18 below for a more detailed explanation.
- The Settlement ends the lawsuit against the Company’s former directors and officers concerning whether the Registration Statements, by which the Notes were sold (the “Registration Statements”), contained untrue statements. Plaintiffs claim that the Registration Statements misled Noteholders about the financial condition of American Business and the ability of the Company to repay the Notes. Defendants, who were former American Business directors and officers, deny the claims in the lawsuit. The parties disagree not only on liability issues but also on how much money could have been recovered had the Class won at trial. See Questions 2 and 4 below for a more detailed explanation.

For further information regarding this Settlement and a copy of the Settlement Agreement you may (1) contact Plaintiffs’ Lead Counsel: Todd S. Collins or Elizabeth W. Fox, Berger & Montague, P.C., 1622 Locust Street, Philadelphia, PA, 19103-6305, Telephone: 215-875-3000; (2) write to Claims Administrator, American Business Financial Services Inc. Noteholders Litigation, Heffler, Radetich & Saitta LLP, P.O. Box 360, Philadelphia, PA 19105-0360; or (3) visit the website at www.hrsclaimsadministration.com, where you will find answers to common questions about the Settlement, the claims procedure, and related matters.

These rights and options—and the deadlines to exercise them—are explained in this Notice.

The Court in charge of this case has to decide whether to approve the Settlement. Payments will be made if the Court approves the Settlement, after appeals are over, after other conditions are satisfied, and after the claims are processed. Please be patient.

WHAT THIS NOTICE CONTAINS

	PAGE
BASIC INFORMATION	3
1. Why did I get this Notice package?	3
2. What is this lawsuit about?	3
3. Why is this a class action?	4
4. Why is there a Settlement?	4
WHO IS IN THE SETTLEMENT	4
5. How do I know if I am part of the Settlement?	4
6. Are there exceptions to being included?	4
THE SETTLEMENT BENEFITS—WHAT YOU GET	4
7. What does the Settlement provide?	4
8. Are there claims on behalf of the Class that will not be dismissed?	4
9. What is the Settlement Amount?	5
10. What can I expect to receive under the proposed Settlement?	5
HOW YOU GET A PAYMENT—SUBMITTING A CLAIM FORM	5
11. How can I get a payment?	5
12. When would I get my payment?	5
13. What am I giving up to get a payment and to stay in the Class?	6

QUESTIONS? CALL 1-800-768-8450 TOLL FREE, OR VISIT
WWW.HRSCLAIMSADMINISTRATION.COM

EXCLUDING YOURSELF FROM THE SETTLEMENT	6
14. How do I get out of the Settlement?	6
15. If I already excluded myself, how can I get back into the Settlement?	6
THE LAWYERS REPRESENTING YOU	6
16. Do I have a lawyer in this case?	6
17. How will the lawyers be paid?	6
18. Will the Plaintiffs be paid?	6
OBJECTING TO THE SETTLEMENT	7
19. How do I tell the Court that I do not like the Settlement?	7
20. What is the difference between objecting and requesting exclusion?	7
THE COURT’S FAIRNESS HEARING	7
21. When and where will the Court decide whether to approve the Settlement?	7
22. Do I have to come to the hearing?	7
23. May I speak at the hearing?	8
IF YOU DO NOTHING	8
24. What happens if I do nothing at all?	8
UNDERSTANDING YOUR PAYMENT—THE PLAN OF ALLOCATION	8
25. How will each Authorized Claimant’s Payable Claim be calculated?	8
26. What if my Payable Claim is less than \$10.00?	8
27. If I receive no payment, will I be bound by the Court’s final Order?	8
28. If I don’t like the allocation, can I sue the Plaintiffs, Class Counsel or the Claims Administrator?	8

BASIC INFORMATION

1. Why did I get this Notice package?

You or someone in your family probably bought or rolled over Notes during the Class Period. (If you bought all your Note(s) before January 18, 2002, and none of them was rolled over, you are not part of the Class, and you are not entitled to share in the Settlement proceeds.) Judge Thomas N. O’Neill, Jr. of the United States District Court for the Eastern District of Pennsylvania is in charge of this class action. The Noteholders who sued on behalf of the Class—John A. Malack, Virgil Magnon, Michael Rosati, S.S. Rajaram M.D., Hayward Pediatrics, Inc., and Henry Munster—are called Plaintiffs. The persons they sued—Anthony Santilli, Albert Mandia, Leonard Becker, Michael DeLuca, Harold Sussman, Jerome Miller, Warren Palitz, and Jeffrey Steinberg—all former officers or directors of American Business—are called Defendants. American Business is not a defendant because it filed for Bankruptcy.

The Court directed that you be sent this Notice, if you are a member of the Class, because you have a right to know about the proposed Settlement of this class action lawsuit, and about all of your choices, before the Court decides whether to approve the Settlement. If the Court approves the Settlement, and objections to the Settlement submitted by Class members (as explained below) and/or any appeals are denied, then an administrator appointed by the Court will process the claims received and distribute payments to Class members with valid claims. You can track the progress of the Settlement by visiting: www.hrsclaimsadministration.com.

This Notice explains the lawsuit, the Settlement, your legal rights, the benefits that are available, who is eligible for them, and how to get them. It also contains the Proof of Claim Form and the Substitute Form W-9 that you must fill out, sign, and send in to get a payment.

2. What is this lawsuit about?

The lawsuit claims that Defendants misled Class members, who bought or rolled over Notes during the Class Period, by misrepresenting American Business’s financial results and condition. The lawsuit claims that Defendants issued Registration Statements that failed to tell the Class that the Company would not be able to pay back the Notes. The lawsuit claims that as a result of these false and misleading statements, you bought the Notes, and then lost all the money you had invested. Defendants deny they did anything wrong, and deny that they caused your losses.

3. Why is this a class action?

In a class action, one or more persons called Plaintiffs sue for all persons who have similar claims – in this case, all persons who bought Notes after January 18, 2002 and lost their money. All of these persons are referred to as a Class, or, individually, as Class members. One court resolves all of the issues for all Class members, except for those members of the Class who exclude themselves from the Class.

4. Why is there a settlement?

The Court did not decide in favor of Plaintiffs or Defendants. Instead, Plaintiffs on behalf of the Class, whose members bought Notes during the Class Period, and Defendants, who were officers and directors of American Business during the Class Period, have agreed to settle. Plaintiffs have agreed to settle this lawsuit based on: (1) the facts they have discovered during the litigation; (2) the size of the Settlement Amount; (3) the fact that it is unlikely that more than the Settlement Amount would be recovered if the case went to trial; and (4) their conclusion that the proposed Settlement is fair, reasonable and adequate under the circumstances, and serves the best interests of the Class members.

Plaintiffs and Defendants disagree about the merits of Plaintiffs' claims against Defendants. The major issues on which the parties disagree include: (1) whether Defendants made any false and misleading statements in the Registration Statements; (2) whether the financial statements in the Registration Statements were materially false or otherwise actionable under the federal securities laws; (3) whether some or all of the Defendants reasonably relied on others, such as the Company's outside auditors, when they signed the Registration Statements; and (4) whether Defendants could show that nothing in the Registration Statements caused the Class's losses.

While Plaintiffs and Class Counsel were prepared to go to trial, and believed they could win the case, they knew that the only substantial amount of money available was from the directors' and officers' insurance policies. Practically all of these available insurance proceeds are being recovered in the Settlement and the Trustee's Settlement. Even if Plaintiffs had refused to settle and then proceeded to win at trial, they likely would not have recovered more than the Settlement Amount, especially since substantial insurance proceeds would have been used up in paying to defend the Defendants through trial and appeals.

WHO IS IN THE SETTLEMENT

To see if you will get money from the Settlement, you first have to decide if you are a Class member.

5. How do I know if I am part of the Settlement?

You are a Class member if you bought or rolled over Notes during the Class Period (between January 18, 2002 and January 20, 2005). You can find out when you bought your Notes by looking at the Notes or looking at the statements sent to you by American Business.

6. Are there exceptions to being included?

You are not a Class member if you are a Defendant in this lawsuit or a relative or member of the immediate family of any of the Defendants. You are also not a Class member if you bought or rolled over all your Notes before January 18, 2002. Also, if you have previously excluded yourself from the Class, as described below, you are not a part of the Class, unless you tell the Court that you no longer wish to be excluded by signing the Proof of Claim and Release and checking the box after paragraph 2 of the Proof of Claim. See Questions 11 and 15 for a detailed explanation.

THE SETTLEMENT BENEFITS—WHAT YOU GET

7. What does the Settlement provide?

On September 12, 2008, the parties in the lawsuit arrived at the proposed Settlement of the lawsuit and signed a Settlement Agreement. The terms of the proposed Settlement, including the payment of \$16,767,500, are summarized below and are in the Settlement Agreement. You can obtain a copy of the Settlement Agreement by writing to Plaintiffs' Counsel, or by visiting www.hrsclaimsadministration.com.

The Settlement provides that each of the Defendants will cooperate by providing information in connection with Plaintiffs' ongoing case against BDO and the Trustee's case against banks, a law firm, BDO and others. These ongoing cases are described in answer to Question 8.

The Settlement requires that all Class members release all of the Defendants in this lawsuit for all claims against those Defendants (but not defendants in other cases) concerning American Business Notes. This means that you agree never again to sue any of the Defendants (or Released Parties) about the Notes and your losses. The exact legal language is in the Proof of Claim and Release at the end of this Notice.

8. Are there claims on behalf of the Class that will not be dismissed?

On behalf of the Class, Plaintiffs continue to litigate against BDO, the accounting firm which was the Company's outside auditor. BDO will not be dismissed in connection with the Settlement.

On behalf of the Bankruptcy estate, the Trustee continues to litigate against several parties, including Wall Street investment firms that purchased and securitized many of the Company's mortgage loans, a law firm that represented American Business, BDO, American Business's lenders in the Bankruptcy proceedings and others.

Plaintiffs and the Trustee hope that, in connection with the ongoing lawsuits described above, they will win judgments or secure additional settlements so that more payments can be made to or for the benefit of persons who are in the Class, and the other creditors of the American Business Bankruptcy estates. There is no certainty that this will occur, however.

9. What is the Settlement Amount?

The proposed Settlement calls for Defendants to create a Settlement fund in the amount of \$16,767,500 in cash. This Settlement Amount has been deposited into an interest bearing account, except for \$170,000 (the "Holdback"), which has been reserved to cover further attorneys' fees the former officers and directors may incur in connection with the Trustee's ongoing lawsuit against other defendants. If such attorneys' fees are not incurred, the Holdback, or part of it, will be reinstated as part of the Settlement Amount or the Net Settlement Fund. Further, subject to the Court's approval, a portion of the Settlement Amount will be used to pay Class Counsel's fees and costs and other reasonable expenses of the case (including notice and settlement administration costs and taxes on interest earned), as well as Plaintiffs' Expense Awards. See Questions 16-18 below for a more detailed explanation. The Net Settlement Fund, after the above payments, will be paid to Class members who submit valid claims ("Authorized Claimants").

10. What can I expect to receive under the proposed Settlement?

Your share of the Net Settlement Fund will depend on: (1) the total dollar amount of all the valid claims; (2) the amount of interest earned by the Settlement Amount and the Net Settlement Fund; (3) the amount of administrative costs, including the costs of sending notice and settlement administration; (4) the amount of taxes and tax expenses; (5) the amount awarded by the Court for Class Counsel fees and costs; (6) the amount awarded by the Court for Plaintiffs' Expense Awards; and (7) the amount, if any, returned to the Net Settlement Fund from the Holdback. The Claims Administrator will distribute the Net Settlement Fund, according to the Plan of Allocation, after the deadline for submission of Proof of Claim and Release forms has passed, and all claims have been processed, and after the Court has finally approved the Settlement and any appeals are resolved. See Questions 25-26 for an explanation of the Plan of Allocation.

HOW YOU GET A PAYMENT—SUBMITTING A CLAIM FORM

11. How can I get a payment?

To get a payment, you must send in a signed Proof of Claim and Release Form ("Claim Form") and proof that you own Notes, the date and the amount of those Notes, and a signed Substitute W-9 Form. These Forms are attached to this Notice. You may also download a Claim Form from www.hrsclaimsadministration.com. Please (1) read the instructions carefully; (2) fill out the Claim Form, and sign it in the two places shown; (3) include copies of the documents the Claim Form asks for, including, specifically, copies of your Notes and a copy of the January 21, 2005 Investment Note Statement sent to you by American Business; and (4) mail the Claim Form and documents, postmarked no later than January 2, 2009 to:

Claims Administrator
American Business Financial Services, Inc. Noteholders Litigation
Heffler, Radetich & Saitta LLP
P.O. Box 360
Philadelphia, PA 19105-0360

If you cannot find your documents, you should fill out the Claim Form and send it in anyway. The Claims Administrator may have enough information to approve your claim. The Claims Administrator will process your claim and advise you if you are an "Authorized Claimant" – meaning that your claim satisfies the requirements approved by the Court. If the Claims Administrator rejects your claim or any part of it, you will be given an explanation and you will be given a chance to correct any problems. If you disagree with the Administrator's final decision, you may appeal that decision to the Court.

If you excluded yourself from the Class in response to the Notice informing you of the pendency of this class action, dated May 2, 2008, and now want to get a payment from the Settlement, you should send in the Claim Form with your documents and check the box after paragraph 2, saying that you want to withdraw your exclusion.

12. When would I get my payment?

The Court has scheduled a hearing for November 3, 2008, (the "Final Hearing") to decide whether to approve the Settlement. See Question 21. Even if the Court approves the Settlement, there may be appeals that would delay the payments. After the approval, and the resolution of any appeals, the Claims Administrator must process all of the Claim Forms. As many as 27,000 persons could send in Claim Forms. Everyone who sends in a Claim Form will be informed of the approval or disapproval of his or her claim. Please be patient. You can also track the progress of the Settlement by visiting: www.hrsclaimsadministration.com.

QUESTIONS? CALL 1-800-768-8450 TOLL FREE, OR VISIT
WWW.HRSCLAIMSADMINISTRATION.COM

13. What am I giving up to get a payment and to stay in the Class?

Unless you exclude yourself, you will remain in the Class. If the Settlement is approved, you and all Class members will release all of the claims that are covered by the Settlement Agreement (“Released Claims”) against Defendants and the “Released Parties.” This means that you agree not to sue or be part of a lawsuit about the Notes against the Defendants—who, as noted, are former officers and directors of American Business. It also means that all of the Court’s orders will apply to you and legally bind you. Please see the definitions of the terms that are in quotations in the Claim Form. If you sign the Claim Form, you are agreeing to release all the “Released Claims” against “Released Parties” as defined in the Claim Form, which describes exactly the legal claims that you give up unless you opt out.

The Settlement will not affect your participation, as a Class member, in Plaintiffs’ ongoing suit against BDO, the former auditor of American Business. In addition, the Trustee will continue to pursue claims on behalf of the Bankruptcy estate. See Question 8.

EXCLUDING YOURSELF FROM THE SETTLEMENT

If you do **not** want to receive a payment from this Settlement, and you want to keep the right to sue Defendants on your own about the legal issues in this case, then you must take steps to get out of the Settlement. This is called excluding yourself—or is sometimes referred to as opting out of the Class.

14. How do I get out of the Settlement?

To exclude yourself from or opt out of the Settlement, you must send a letter by mail stating that you want to be excluded from *In re American Business Financial Services, Inc. Noteholders Litigation*, File No. 05-232. Be sure to include your name, address, telephone number, and your signature, along with the purchase date and amount of each of your Notes to prove your membership in the Class. You must mail your exclusion request postmarked no later than October 20, 2008 to:

Claims Administrator
American Business Financial Services, Inc.
Noteholders Litigation
Heffler, Radetich & Saitta LLP
P.O. Box 360
Philadelphia, PA 19105-0360

You can’t exclude yourself on the phone or by e-mail. **If you ask to be excluded, you will not receive a Settlement payment, and you cannot object to the Settlement.** If you ask to be excluded, you will not be legally bound by anything that happens in this lawsuit or Settlement, and you may be able to sue Defendants on your own, subject to various factors including applicable statutes of limitation. If you have already excluded yourself from the Class and want to remain excluded and not get a payment, you do not need to send in anything.

15. If I already excluded myself, how can I get back into the Settlement?

If you opted out in response to the May 2, 2008 notice to the Class, and now want to rejoin the Class and get a payment, you may do so by checking the box after paragraph 2 of the Claim Form and signing and returning the Claim Form. See Question 11 above.

THE LAWYERS REPRESENTING YOU

16. Do I have a lawyer in this case?

The Court approved the law firm of Berger & Montague, P.C. to represent you and the other Class members. Other law firms have also done some of the legal work. The lawyers from Berger & Montague and these firms are called Class Counsel. You will not be charged for these lawyers, except that, as noted, they will seek payment of their fees and expenses from the Settlement Amount. If you want to be represented by your own lawyer, you may hire one at your own expense.

17. How will the lawyers be paid?

Class Counsel have spent a lot of time working on this suit on a contingent fee basis, and have advanced the expenses of litigation—up to \$325,000—with the expectation that if they were successful in recovering money for the Class, they would receive fees and be reimbursed for their expenses from the Settlement Amount, as is customary in this kind of litigation. They also took the risk that if the suit was not successful, they would not be paid anything. Therefore, Class Counsel will ask the Court at the Final Hearing (see Question 21 below) to make an award of attorneys’ fees in an amount not more than 30% of the Settlement Amount and for reimbursement of expenses in an amount not more than \$325,000. The Court may award less than these amounts. Any amounts awarded by the Court will come out of the Settlement Amount.

18. Will the Plaintiffs be paid?

Class Counsel will ask the Court to reimburse Plaintiffs for their reasonable, out-of-pocket costs and expenses (including lost wages directly related to the representation of the Class) in acting as Plaintiffs and Class representatives. These are called Plaintiffs’ Expense Awards. This is in addition to Plaintiffs’ pro rata shares of the Net Settlement Amount. Plaintiffs have devoted considerable time to consulting with Class Counsel, providing discovery, and providing their depositions over the last three and a half years. The Plaintiffs’ Expense Awards will come out of the Settlement Amount. The total amount of Plaintiffs’ Expense Awards, will not exceed \$50,000.

QUESTIONS? CALL 1-800-768-8450 TOLL FREE, OR VISIT
WWW.HRSCLAIMSADMINISTRATION.COM

OBJECTING TO THE SETTLEMENT

You can tell the Court that you do not agree with the Settlement, any part of the Settlement, the Plan of Allocation, and/or the requests for Class Counsel's fees and expenses and Plaintiffs' Expense Awards ("Objections" or "to object"). The Court will consider your Objections and rule on them at or after the Final Hearing on November 3.

19. How do I tell the Court that I do not like the Settlement?

If you are a Class member, you can object. The Court will consider your views. To object, you must send a letter stating that you object in *In re American Business Financial Services, Inc. Noteholders Litigation*, File No. 05-232. Be sure to include your name, address, telephone number, your signature, and the purchase date and amount of each of the Notes you held at the time of the Bankruptcy to show your membership in the Class. In the letter, write all of the reasons for your objection to the Settlement, to the proposed Plan of Allocation, or to the requests for Class Counsel fees and expenses and Plaintiffs' Expense Awards. Mail the Objection to the five different places stated below, postmarked no later than October 20, 2008.

PLACES TO MAIL OBJECTIONS

Court	Class Counsel	Defense Counsel
Clerk of the Court United States District Court Eastern District of Pennsylvania 601 Market Street, Room 2609 Philadelphia, PA 19106	TODD S. COLLINS, ESQUIRE ELIZABETH W. FOX, ESQ. BERGER & MONTAGUE, P.C. 1622 Locust Street Philadelphia, PA 19103	MARC J. SONNENFELD, ESQUIRE MORGAN LEWIS & BOCKIUS LLP 1701 Market Street Philadelphia, PA 19103 and VINCENT J. MARRIOTT, III, ESQUIRE BALLARD SPAHR ANDREWS & INGERSOLL, LLP 51st Floor 1735 Market Street Philadelphia, PA 19103-7599 and NANCY GELLMAN, ESQUIRE CONRAD O'BRIEN GELLMAN & ROHN, P.C. 1515 Market Street, 16th Floor Philadelphia, PA 19102

20. What is the difference between objecting and requesting exclusion?

You can object only if you stay in the Class. If you submit a valid claim, you will get a payment, even if you object. Excluding yourself is telling the Court that you do not want to be part of the Class, and you do not want a payment from the Settlement. If you exclude yourself, you have no basis to object because the case no longer affects you.

THE COURT'S FAIRNESS HEARING

The Court will hold a Final Hearing to decide whether to approve the Settlement and to consider other matters addressed in this Notice. You may attend and you may ask to speak, but you do not have to be there or to speak.

21. When and where will the Court decide whether to approve the Settlement?

The Court will hold a Final Hearing at 11:00 a.m. on November 3, 2008, at the United States District Court for the Eastern District of Pennsylvania, 601 Market Street, Courtroom 4A, Philadelphia, PA 19106. At this hearing the Court will consider whether the Settlement is fair, reasonable, and adequate. At or after the hearing, the Court will also decide whether to approve the proposed Plan of Allocation, how much to pay Class Counsel for attorneys' fees and expenses, and whether to pay Plaintiffs' Expense Awards. If there are Objections, the Court will consider them. The Court will listen to people (or their lawyers) who have submitted a written Objection and have told the Court of their intent to appear and speak at the hearing, post-marked no later than October 20, 2008, and mailed to the five different places listed in the chart following Question 19 above. We do not know how long these decisions will take.

22. Do I have to come to the hearing?

No. Class Counsel will answer any questions the Court may have. But, you are welcome to come at your own expense. If you file an Objection, you do not have to come to court to talk about it. As long as you mailed your written Objection on time, the Court will consider it. You may also attend or pay your own lawyer to attend to speak in support of any Objection you may have mailed, but it is not necessary. You may speak as long as you have followed the instructions set forth in the answer to Question 23.

23. May I speak at the hearing?

If you have submitted a written Objection to the Settlement, and followed the instructions in Questions 19 and 21 and this paragraph, you (or your lawyer) may speak at the Final Hearing in support of your Objection. To speak at the hearing, you or your lawyer must send a letter, along with your written Objection, saying that it is your “Notice of Intention to Appear in *In re American Business Financial Services, Inc. Noteholders Litigation*, File No. 05-232.” Be sure to include your name, address, telephone number, and your signature. Your Notice of Intention to Appear must be postmarked no later than October 20, 2008, and be sent to the Clerk of the Court, Class Counsel, and Defense Counsel, at the addresses listed in Question 19. You may not speak at the hearing if you exclude yourself.

IF YOU DO NOTHING

24. What happens if I do nothing at all?

If you do nothing, you will not receive any money from this Settlement. You also will not be able to start a lawsuit against Defendants about the legal issues in this case, ever again. You will not be permitted to object to this Settlement.

UNDERSTANDING YOUR PAYMENT—THE PLAN OF ALLOCATION

The Plan of Allocation is the method by which the Claims Administrator will calculate how much to pay each Authorized Claimant.

25. How will each Authorized Claimant’s Payable Claim be calculated?

The Net Settlement Fund will be divided among the Authorized Claimants in accordance with the Plan of Allocation. The amount to be paid to you, if you are an Authorized Claimant, is your Payable Claim. Your Payable Claim requires calculation of your Recognized Loss. Recognized Loss equals the total amount American Business owed you (including both principal and interest) on your Notes as of January 21, 2005, the day American Business filed in Bankruptcy (except for the amount American Business owed you on Notes bought before January 18, 2002, which were not rolled over). Recognized Loss also includes any amount the Trustee collected from you with respect to principal or interest paid by American Business on your Notes after October 21, 2004. The Plan of Allocation is based on each Authorized Claimant’s pro rata share of the Net Settlement Fund. In other words, the greater your Recognized Loss, the larger your Payable Claim will be.

To figure out your Payable Claim as an Authorized Claimant, the Claims Administrator will calculate what percent your Recognized Loss represents of the total of all Authorized Claimants’ Recognized Losses. Once your percent of all Recognized Losses is calculated, then that percent times the total Net Settlement Fund will be your Payable Claim.

With respect to Senior Collateralized Note Holders, nothing will be paid for preferred stock held.

26. What if my Payable Claim is less than \$10.00?

In the interest of economy, no payment will be made to any Authorized Claimant whose Payable Claim would be less than \$10 based on the initial allocation of the Net Settlement Fund to the Authorized Claimants.

27. If I receive no payment, will I be bound by the Court’s final order?

Payment in the manner set forth above (including not paying amounts below \$10 and not paying anything to Class members who did not submit signed Claim Forms) will be considered to be conclusive compliance with the Settlement. All Class members who fail to submit valid and timely Proofs of Claim, or whose payable claim is less than \$10, will be barred from receiving payments from the Net Settlement Fund. All Class members, except those who opt out, whether or not they get a payment, will be bound by all of the terms of the Settlement, including the terms of any final orders or judgments entered and the releases given to Defendants and others. This means that they will not be permitted to sue Defendants concerning the Notes.

28. If I don’t like the allocation, can I sue the Plaintiffs, Class Counsel or the Claims Administrator?

No. Although Class members have a right to send Objections to the Court, no Class member will have a right to make a claim against Plaintiffs, Class Counsel or the Claims Administrator, or any other person designated by Class Counsel, based on the distributions made in accordance with the Settlement, the Plan of Allocation, and further Orders of Court. In addition, in the interest of achieving substantial justice, Class Counsel will have the right, but not the obligation, to waive what they believe to be formal or technical defects in any Proofs of Claim received by the Claims Administrator.

INQUIRIES

All inquiries concerning this Notice, the Proof of Claim form, or any other questions by Class members should be directed to the Claims Administrator listed at:

American Business Financial Services, Inc.
Noteholders Litigation
Heffler, Radetich & Saitta LLP
P.O. Box 360
Philadelphia, PA 19105-0360

PLEASE DO NOT CONTACT THE COURT REGARDING THIS NOTICE

DATED: September 26, 2008

By Order of the Court
Thomas N. O'Neill, Jr., Judge

[THIS PAGE INTENTIONALLY LEFT BLANK]

**UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

In re American Business Financial Services Inc.
Noteholders Litigation

X
:
:
:
:
X

Master File No. 05-232

PROOF OF CLAIM AND RELEASE FORM AND SUBSTITUTE FORM W-9

I. GENERAL INSTRUCTIONS

1. If you bought or rolled over Notes of American Business Financial Services Inc. (“American Business”) during the period from January 18, 2002 through January 20, 2005 (the “Class Period”), you are a “Class Member” and you may be entitled to a payment from the Settlement proceeds. (See the accompanying Notice for a description of persons that are excluded from the Class.) If you are NOT a member of the Class, PLEASE DO NOT submit a Proof of Claim and Release.

2. If you have already excluded yourself from the Class, but want to get a payment from the Settlement, please check the box below and your exclusion will be withdrawn. In this event, you will be bound by the Settlement and release Defendants in this case.

I want to withdraw my exclusion filed in May or June 2008.

3. To get a payment, you must:

- a. complete this Proof of Claim and Release and sign it on page 13.
- b. complete the Substitute Form W-9 and sign it on page 14.
- c. mail your completed and signed Proof of Claim and Release Form, your completed and signed Substitute Form W-9 and documents proving your claim (such as copies of your Notes and your January 21, 2005 Investment Note Statement from American Business), postmarked on or before January 2, 2009, addressed as follows:

Claims Administrator
American Business Financial Services
Noteholders Litigation
Heffler Radetich & Saitta LLP
P.O. Box 360
Philadelphia, PA 19105-0360

4. If you do not send your signed Proof of Claim and Release and signed Substitute Form W-9 and documents to prove your claim (such as your January 21, 2005 Investment Note Statement from American Business, and copies of your Notes) to the address above, postmarked by January 2, 2009, your claim may be rejected and you may not get any payment from the Settlement, as explained in the Notice. Submission of this Proof of Claim and Release, however, does not assure that you will get a payment from the Settlement.

II. PROOF OF CLAIM AND RELEASE

5. By submitting this Proof of Claim, I state that I believe in good faith that I am a Class member as defined above and in the Notice of Proposed Settlement of Class Action Motion for Attorney’s Fees and Costs and Hearing on November 3, 2008, (the “Notice”), or am acting for such person; that I am not a Defendant in the Action, the family member of a Defendant, a trust of which a Defendant is a settler, or any entity in which a Defendant has a controlling interest; that if I asked to be excluded from the Class in response to the notice dated May 2, 2008, I want to withdraw that exclusion; that I have read and understand the Notice; that I believe that I am entitled to receive a share of the Net Settlement Amount; and that I have decided to participate in the proposed Settlement described in the Notice. (If you are acting on behalf of a Class member, for instance, as an executor, administrator, trustee, or other representative, you must send evidence of your current authority to act on behalf of that Class member. Such evidence would include, for example, copies of letters testamentary, letters of administration, or a copy of the trust documents.)

6. I understand that the information contained in this Proof of Claim is subject to such verification as the Court may direct, and I agree to cooperate in any such verification. If the Claims Administrator requests additional information, I will provide it if I can.

7. I have set forth where requested below all relevant information about all of my Notes.

8. I have included copies of my Notes and copies of my latest statement from American Business.

9. CLAIMANT IDENTIFICATION—PLEASE TYPE OR PRINT

--

Noteholder's Name

--

Joint Owners' Name (if any)

--

Street Address

	City	State or Province	Zip Code or Postal Code
--	------	-------------------	-------------------------

	City	State or Province	Zip Code or Postal Code
--	------	-------------------	-------------------------

	City	State or Province	Zip Code or Postal Code
--	------	-------------------	-------------------------

	City	State or Province	Zip Code or Postal Code
--	------	-------------------	-------------------------

	City	State or Province	Zip Code or Postal Code
--	------	-------------------	-------------------------

	Area Code	Telephone Number (Work)		Area Code	Telephone Number (Home)		Area Code	Fax Number
--	-----------	-------------------------	--	-----------	-------------------------	--	-----------	------------

	Area Code	Telephone Number (Work)		Area Code	Telephone Number (Home)		Area Code	Fax Number
--	-----------	-------------------------	--	-----------	-------------------------	--	-----------	------------

--

--

Check one: Individual Estate Corporation IRA Account Trustee/Custodian Other (specify) _____

**10. SCHEDULE OF TRANSACTIONS IN AMERICAN BUSINESS NOTES, DEBENTURES OR MONEY MARKET NOTES
PLEASE LIST ALL NOTES HELD BY YOU AS OF JANUARY 21, 2005:**

Date You Originally Bought Note (Month / Day / Year)	Dollar Amount of Original Investment	Date Rolled Over, If Any (Month / Day / Year)	Accrued (Unpaid) Interest As of January 21, 2005	Balance As Of January 21, 2005
/ /	\$.	/ /	\$.	\$.
/ /	\$.	/ /	\$.	\$.
/ /	\$.	/ /	\$.	\$.
/ /	\$.	/ /	\$.	\$.
/ /	\$.	/ /	\$.	\$.

Total dollar amount of Notes, including principal and unpaid interest, as of January 21, 2005: \$ _____
(excluding amounts for Notes bought before January 18, 2002 and not rolled over).

If you exchanged any or all of your Notes in an Exchange Offer (receiving in exchange Preferred Stock and Senior Collateralized Notes), check here: _____

If you require additional space, attach extra schedules in the same format as above. Sign and print your name on each additional page.

11. If one or more of your Notes was paid by American Business after October 21, 2004, and if the Trustee in Bankruptcy of American Business collected some or all of that payment from you as a preference payment, check here: _____.

Specify how much you paid the Trustee here: _____. Please supply supporting documents with respect to this payment you made to the Trustee.

YOU MUST READ THE REMAINDER OF THIS FORM AND SIGN BELOW

12. I hereby warrant and represent that I have not assigned or transferred, voluntarily or involuntarily, any "Released Claims" as defined below.

13. On the Effective Date (as defined in the Settlement) my signature will constitute a full and complete release, remise and discharge by me or, if I am submitting this Proof of Claim on behalf of an estate or one or more other persons, by it, him, her or them, and by my, its, his, her or their heirs, executors, administrators, successors, and assigns of each of the "Released Parties" of all "Released Claims," as defined below. In paragraphs (a) (b) and (c) below, "Action" means *In re American Business Financial Services, Inc. Noteholders Litigation*, Master File No. 05-232 (E.D. Pa.), and "Noteholder Defendants" are the Defendants in this Action.

(a) "Released Claims" collectively means and includes any and all claims or causes of action, debts, suits, rights of action, dues, expenses, sums of money, accounts, bonds, bills, covenants, contracts, controversies, agreements, promises, preferences, fraudulent conveyances, fraudulent transfers, judgments, variances, executions, obligations, demands, rights, liabilities, damages, losses, fees, and costs of any kind, nature and/or description whatsoever, whether class or individual in nature, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not asserted, threatened, alleged or litigated, at law, admiralty, equity, or otherwise, including, without limitation, claims for contribution or indemnification, or for costs, expenses (including, without limitation, amounts paid in Settlement) and attorneys' fees (including, without limitation, costs, expenses and attorneys' fees incurred in connection with this Agreement and the Settlement of the Action), claims for negligence, gross negligence, breach of duty of care and/or breach of duty of loyalty, malpractice, misrepresentation, fraud, breach of fiduciary duty, or violations of any federal, state or local statutes, common law, or other laws, rules or regulations, that now exist or heretofore existed, that have been or could have been asserted or alleged in the Action, or any other forum against the Noteholder Defendants and any other former director or officer of American Business and/or any subsidiary thereof (collectively, with the Noteholder Defendants, the "ABFS D&Os") or any of them whether known or unknown, directly, indirectly, representatively, derivatively or in any other capacity, which arise out of, are based upon or relate to, or are in connection with (i) the claims asserted in the Action; (ii) the purchase, roll-over or other acquisition or retention of the Notes; or (iii) any of the facts, claims, transactions, events, occurrences, acts, disclosures, statements, representations, misrepresentations, omissions or failures to act, or matters of any kind or nature whatsoever, related directly or indirectly to the subject matters referred to, set forth in, or the facts, causes of action, counts or claims for relief which were, might have been, or could have been, asserted, alleged or litigated in the Action. Released Claims also include Unknown Claims.

(b) "Released Parties" means each and all of the ABFS D&Os, their past or present advisors, agents, assigns, administrators, attorneys, banks or investment banks, co-insurers, consultants, employees, estates, executors, heirs, insurers, limited partners or partners, reinsurers, representatives, spouses (present and former), any entity in which any ABFS D&Os has a controlling interest, any member of an individual ABFS D&O's immediate family, or any trust of which any ABFS D&O is the settlor or which is for the benefit of any individual ABFS D&O and/or member(s) of his or her family, but not BDO.

(c) "Unknown Claims" means any Released Claim that any Noteholder Plaintiff or Class member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties, that if known by him, her or it, might have affected his, her or its decision to settle and release Released Parties, or might have affected his, her or its decision not to object to this Settlement or not to exclude himself, herself or itself from the Settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, they shall be deemed to have, and by operation of the Final Order shall have, expressly waived the provisions, rights and benefits of any statute, rule or provision which prohibits the release of Unknown Claims, including California Civil Code §1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

14. Signature

(Sign your name here)

Date

(Joint Claimant Sign your name here)
(All Joint Claimants must sign)

Date

(Type or print Joint Claimant's name here)

Capacity of persons signing (e.g., Beneficial Owner,
Executor, Administrator or Corporate Title)

**ACCURATE CLAIMS PROCESSING TAKES A
SIGNIFICANT AMOUNT OF TIME.
THANK YOU FOR YOUR PATIENCE.**

Reminder Checklist:

1. Please sign the above Proof of Claim and Release, and sign the Substitute Form W-9.
2. Remember to attach copies of your Notes and statements from American Business.
3. Keep a copy of your Proof of Claim form for your records.
4. Mail the form and your documents by January 2, 2009.
5. If you want proof that your Proof of Claim form was received, please send it Certified Mail, Return Receipt Requested.
6. If you move after submitting your Proof of Claim form, please send your new address to the Claims Administrator.

Claims Administrator
In re American Business Financial Services
Noteholders Litigation
Heffler Radetich & Saitta LLP
P.O. Box 360
Philadelphia, PA 19105-0360

FIRST CLASS MAIL

PLEASE FORWARD—IMPORTANT LEGAL NOTICE