SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10Q

[X] Quarterly report pursuant to Section 13 or 15 (d) of the
Securities Exchange Act of 1934

For quarterly period ended JULY 31, 1996 or

[ ] Transition report pursuant to Section 13 or 15 (d) of the
Securities Exchange Act of 1934

Commission file number 1-8551

Hovnanian Enterprises, Inc.
(Exact name of registrant as specified in its charter)

Delaware	22-1851059
(State or other jurisdiction or incorporation or organization)	(I.R.S. Employer Identification No.)

l0 Highway 35, P.O. Box 500, Red Bank, N. J. 07701
(Address of principle executive offices)

908-747-7800
(Registrant's telephone number, including area code)
Same
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (l) has filed all reports required to be filed by Sections l3 or l5(d) of the Securities Exchange Act of l934 during the preceding l2 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 [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 15,130,185 Class A Common Shares and 7,906,868 Class B Common Shares were outstanding as of August 30, 1996.

HOVNANIAN ENTERPRISES, INC.

FORM 10Q

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HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands)

ASSETS	July 31, 1996	October 31, 1995
Homebuilding:		
Cash and cash equivalents	$ 12,624	$ 14,147
Inventories - At cost, not in excess of fair value:		
Sold and unsold homes and lots under development	393,037	345,410
Land and land options held for future development or sale	69,465	59,003
Total Inventories	462,502	404,413
Receivables, deposits, and notes	32,728	27,782
Property, plant, and equipment - net	17,590	14,644
Prepaid expenses and other assets	42,049	26,422
Total Homebuilding	567,493	487,408
Financial Services:		
Cash and cash equivalents		1,306
Mortgage loans held for sale	29,123	46,621
Other assets	1,572	1,940
Total Financial Services	30,695	49,867
Investment Properties:		
Rental property - net	52,670	63,310
Property under development or held for future development	13,439	11,368
Other assets	3,047	3,795
Investment in and advances to unconsolidated joint venture	353	3,804
Total Investment Properties	69,509	82,277
Collateralized Mortgage Financing:		
Collateral for bonds payable	10,862	18,184
Other assets	538	1,281
Total Collateralized Mortgage Financing	11,400	19,465
Income Taxes Receivable - Including deferred tax benefits	6,422	6,361
Total Assets	$685,519	$645,378

See notes to consolidated financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	July 31, 1996	October 31, 1995
Homebuilding:		
Nonrecourse land mortgages	$ 25,096	$ 25,046
Accounts payable and other liabilities	33,447	48,619
Customers' deposits	18,284	11,626
Nonrecourse mortgages secured by operating properties	3,941	4,003
Total Homebuilding	80,768	89,294
Financial Services:		
Accounts payable and other liabilities	3,593	1,043

Mortgage warehouse line of credit	22,851	41,855
Total Financial Services	26,444	42,898
Investment Properties:		
Accounts payable and other liabilities	749	1,105
Nonrecourse mortgages secured by rental property	31,179	31,490
Total Investment Properties	31,928	32,595
Collateralized Mortgage Financing:		
Accounts payable and other liabilities	12	14
Bonds collateralized by mortgages receivable	10,433	17,880
Total Collateralized Mortgage Financing	10,445	17,894
Notes Payable:		
Revolving credit agreement	148,700	80,650
Subordinated notes	200,000	200,000
Accrued interest	6,041	5,712
Total Notes Payable	354,741	286,362
Total Liabilities	504,326	469,043
Stockholders' Equity:		
Preferred Stock,$.01 par value-authorized 100,000 shares; none issued		
Common Stock,Class A,$.01 par value-authorized 87,000,000 shares; issued 15,466,920 shares (including 345,874 shares held in Treasury)	154	154
Common Stock,Class B,$.01 par value-authorized 13,000,000 shares; issued 8,261,881 shares (including 345,874 shares held in Treasury)	83	83
Paid in Capital	33,935	33,935
Retained Earnings	152,320	147,462
Treasury Stock - at cost	(5,299)	(5,299)
Total Stockholders' Equity	181,193	176,335
Total Liabilities and Stockholders' Equity	$685,519	$645,378

See notes to consolidated financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands Except Per Share Data)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1996	1995	1996	1995
Revenues:				
Homebuilding:				
Sale of homes	$187,128	$163,375	$439,202	$420,656
Land sales and other revenues	3,683	4,835	11,337	12,130
Total Homebuilding	190,811	168,210	450,539	432,786
Financial Services	1,947	1,897	4,397	4,721
Investment Properties	2,240	2,524	8,790	7,010
Collateralized Mortgage Financing	814	522	1,689	1,516
Total Revenues	195,812	173,153	465,415	446,033
Expenses:				
Homebuilding:				
Cost of sales	150,487	132,173	354,298	340,783
Selling, general and administrative	23,531	22,147	57,003	55,403
Inventory Impairment Loss	559		559	
Total Homebuilding	174,577	154,320	411,860	396,186
Financial Services	1,989	2,413	5,572	6,524
Investment Properties	1,310	1,380	4,727	4,355
Collateralized Mortgage Financing	764	553	1,685	1,609
Corporate General and Administration	3,179	2,798	10,375	9,023
Interest	7,963	7,214	20,359	18,640
Other operations	1,498	1,404	4,406	5,104
Total Expenses	191,280	170,082	458,984	441,441
Income Before Income Taxes	4,532	3,071	6,431	4,592

State and Federal Income Taxes:				
State	759	383	1,595	889
Federal	663	603	(22)	205
Total Taxes	1,422	986	1,573	1,094
Net Income	$ 3,110	$ 2,085	$ 4,858	$ 3,498
Earnings Per Common Share	$ 0.13	$ 0.09	$ 0.21	$ 0.15

See notes to consolidated financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars In Thousands)

	A Common Stock		B Common Stock					
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Paid-In Capital	Retained Earnings	Treasury Stock	Total
Balance, October 31, 1995	15,038,483	$154	7,998,570	$83	$33,935	$147,462	$(5,299)	$176,335
Conversion of Class B to Class A Common Stock	82,563		(82,563)					
Net Income						4,858		4,858
Balance, July 31, 1996	15,121,046	$154	7,916,007	$83	$33,935	$152,320	$(5,299)	$181,193

See notes to consolidated financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Nine Months Ended July 31,	
	1996	1995
Cash Flows From Operating Activities:		
Net Income	$ 4,858	$ 3,498
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	3,747	3,033
Gain (loss) on sale and retirement of property and assets	(2,130)	59
Deferred income taxes	3,548	3,634
Decrease (increase) in assets:		
Escrow cash	(20)	(1,407)
Receivables, prepaids and other assets	(20,068)	(15,596)
Mortgage notes receivable	18,418	5,751
Inventories	(58,089)	(98,342)
Increase (decrease) in liabilities:		
State and Federal income taxes	(3,609)	(3,405)
Customers' deposits	6,861	7,540
Interest and other accrued liabilities	(5,712)	(1,305)
Post development completion costs	1,675	(2,657)
Accounts payable	(11,436)	12,575
Net cash used in operating activities	(61,957)	(86,622)
Cash Flows From Investing Activities:		
Proceeds from sale of property and assets	10,032	1,046
Investment in property and assets	(3,914)	(4,015)
Investment in and advances to unconsolidated affiliates	3,625	331
Investment in income producing properties	(2,071)	(4,438)
Net cash provided (used) by investing activities	7,672	(7,076)
Cash Flows From Financing Activities:		
Proceeds from mortgages and notes	846,319	763,129
Principal payments on mortgages and notes	(805,035)	(679,959)
Investment in mortgage notes receivable	7,555	3,651
Proceeds from sale of stock		77

Net cash provided by financing activities......	48,839	86,898
Net Decrease In Cash....................................	(5,446)	(6,800)
Cash Balance, Beginning Of Period........................	11,914	14,537
Cash Balance, End Of Period.............................	$ 6,468	$ 7,737

See notes to consolidated financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

1. The consolidated financial statements, except for the October 31, 1995 consolidated balance sheets, have been prepared without audit. In the opinion of management, all adjustments for interim periods presented have been made, which include only normal recurring accruals and deferrals necessary for a fair presentation of consolidated financial position, results of operations, and changes in cash flows. Results for the interim periods are not necessarily indicative of the results which might be expected for a full year.

2. Interest costs incurred, expensed and capitalized were:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1996	1995	1996	1995
	(Dollars in Thousands)			
Interest Incurred (1):				
Residential (3).............	$ 8,093	$ 8,448	$ 22,765	$ 23,683
Commercial(4)...............	1,300	1,305	4,201	4,095
Total Incurred............	$ 9,393	$ 9,753	$ 26,966	$ 27,778
Interest Expensed:				
Residential (3).............	$ 6,663	$ 5,858	$ 16,158	$ 14,690
Commercial (4)..............	1,300	1,356	4,201	3,950
Total Expensed...........	$ 7,963	$ 7,214	$ 20,359	$ 18,640
Interest Capitalized at Beginning of Period.........	$ 41,108	$ 35,831	$ 36,182	$ 29,480
Plus Interest Incurred........	9,393	9,753	26,966	27,778
Less Interest Expensed........	7,963	7,214	20,359	18,640
Less Charges to Reserves......	222	73	473	321
Interest Capitalized at End of Period	$ 42,316	$ 38,297	$ 42,316	$ 38,297
Interest Capitalized at End of Period (5):				
Residential(3)..............	$ 35,818	$ 31,922	$ 35,818	$ 31,922
Commercial(2)...............	6,498	6,375	6,498	6,375
Total Capitalized.........	$ 42,316	$ 38,297	$ 42,316	$ 38,297

(1) Does not include interest incurred by the Company's mortgage and finance subsidiaries.
(2) Does not include a reduction for depreciation.
(3) Represents acquisition interest for construction, land and development costs which is charged to interest expense when homes are delivered.
(4) Represents interest allocated to or incurred on long term debt for investment properties and charged to interest expense.
(5) Capitalized commercial interest at July 31, 1995 includes $257,000 reported at October 31, 1994 as capitalized residential interest. This reclassification was the result of the transfer of two senior citizen rental facilities from inventory.

3. Homebuilding accumulated depreciation at July 31, 1996 and October 31, 1995 amounted to $15,693,000 and $13,731,000, respectively. Rental property accumulated depreciation at July 31, 1996 and October 31, 1995 amounted to $10,442,000 and $9,440,000, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAPITAL RESOURCES AND LIQUIDITY

The Company's uses for cash during the nine months ended July 31, 1996 were for operating expenses, seasonal increases in housing inventories, construction, income taxes, and interest. The Company provided for its cash requirements from the revolving credit facility, land purchase notes, and from housing and other revenues. The Company believes that these sources of cash are sufficient to finance its working capital requirements and other needs.

The Company's bank borrowings are made pursuant to a revolving credit agreement (the "Agreement") that provides a revolving credit line of up to $245,000,000 (the "Revolving Credit Facility") through March 1999. Interest is payable monthly and at various rates of either prime plus 1/4% or Libor plus 1.75%. The Company currently is in compliance and intends to maintain compliance with its covenants under the Agreement. As of July 31, 1996, borrowings under the Agreement were $148,700,000.

The aggregate principal amount of subordinated indebtedness issued by the Company and outstanding as of July 31, 1996 was $200,000,000. Annual sinking fund payments of $20,000,000 are required in April 2000 and 2001 with additional payments of $60,000,000 and $100,000,000 due in April 2002 and June 2005, respectively.

The Company's mortgage banking subsidiary borrows under a bank warehousing arrangement. Other finance subsidiaries formerly borrowed from a multi-builder owned financial corporation and a builder owned financial corporation to finance mortgage backed securities, but in fiscal 1988 decided to cease further borrowing from multi-builder and builder owned financial corporations. These non-recourse borrowings have been generally secured by mortgage loans originated by one of the Company's subsidiaries. As of July 31, 1996, the aggregate principal amount of all such borrowings was $33,284,000.

The book value of the Company's residential inventories, rental condominiums, and commercial properties completed and under development amounted to the following:

	July 31, 1996	October 31, 1995
Residential real estate inventory..........	$462,502,000	$404,413,000
Residential rental property................	12,685,000	12,381,000
Total Residential Real Estate............	475,187,000	416,794,000
Commercial properties......................	53,424,000	62,297,000
Combined Total...........................	$528,611,000	$479,091,000

Total residential real estate increased $58,393,000 during the nine months ended July 31, 1996 primarily as a result of an inventory increase of $58,089,000. The increase in residential real estate inventory was primarily due to the Company's seasonal increase in construction activities for deliveries later this year. Substantially all residential homes under construction or completed and included in real estate inventory at July 31, 1996 are expected to be closed during the next twelve months. Most residential real estate completed or under development is financed through the Company's line of credit and subordinated indebtedness.

The following table summarizes housing lots in the Company's active selling communities under development:

	Communities	Approved Lots	Homes Delivered	(1) Contracted Not Delivered	(2) Remaining Home Sites Available
July 31, 1996......	83	13,789	4,787	2,062	6,940
October 31, 1995...	92	14,767	4,743	1,426	8,598

(1) Includes 41 and 97 lots under option at July 31, 1996 and October 31, 1995, respectively.

(2) Of the total home lots available, 595 and 420 were under construction or complete (including 116 and 119 models and sales offices) and 1,341 and 2,353 were under option at July 31, 1996 and October 31, 1995, respectively.

In addition, at July 31, 1996 and October 31, 1995, respectively, in substantially completed or suspended developments the Company owned or had under option 379 and 323 home lots. The Company also controls a supply of land primarily through options for future development. This land is consistent with anticipated home building requirements in its housing markets. At July 31, 1996 the Company controlled such land to build 12,516 proposed homes, compared to 12,637 homes at October 31, 1995.

The Company's commercial properties represent long-term investments in commercial and retail facilities completed or under development (see "Investment Properties" under "Results of Operations"). When individual facilities are completed and substantially leased, the Company will have the ability to obtain long-term financing on such properties. At July 31, 1996, the Company had long-term non-recourse financing aggregating $31,179,000 on six commercial facilities, a decrease from October 31, 1995, due to $311,000 in principal amortization. In January, 1996 the Company sold a retail center with a book value of $8,022,000 at October 31, 1995. The sale of this center and depreciation were the primary causes for the $8,873,000 decrease in commercial properties.

Collateral Mortgage Financing - collateral for bonds payable consist of collateralized mortgages receivable which are pledged against non-recourse collateralized mortgage obligations. Financial Services - mortgage loans held for sale consist of residential mortgages receivable of which $28,404,000 and $45,669,000 at July 31, 1996 and October 31, 1995, respectively, are being temporarily warehoused and awaiting sale in the secondary mortgage market. The balance of such mortgages is being held as an investment by the Company. The Company may incur risk with respect to mortgages that are delinquent, but only to the extent the losses are not covered by mortgage insurance or resale value of the house. Historically, the Company has incurred minimal credit losses.

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED JULY 31, 1996 COMPARED TO THE THREE AND NINE MONTHS ENDED JULY 31, 1995

The Company's operations consist primarily of residential housing development and sales in its Northeast Region (comprising primarily of New Jersey and eastern Pennsylvania), North Carolina, southeastern Florida, Metro Washington, D.C. (northern Virginia), and southwestern California. In addition, the Company develops and operates commercial properties as long-term investments in New Jersey, and, to a lesser extent, Florida.

Historically, for the Company each quarter of the first nine months of a year produces significantly fewer deliveries than the last quarter of a year. This was true for the three quarters ended July 31, 1995 and management believes will be true for the three quarters ended July 31, 1996. As a result, net income for the last quarter of fiscal 1996 will be significantly greater than each of the first three quarters.

An important indicator of the future results is the Company's recently signed contracts. For the nine months ended July 31, 1996 net contracts signed amounted to $526.6 million or 3,030 homes, compared to $491.6 million or 2,951 homes for the same period last year. At July 31, 1996 the Company's home contract backlog for future delivery was 2,128 homes, with an aggregate sales value of $386.4 million, compared to 2,259 homes, with an aggregate sales value of $407.3 million at the same time last year. The increase in net contracts signed were primarily attributable to the Company's Florida and California markets. The decrease in backlog is the result of a lower opening backlog at November 1, 1995 compared to November 1, 1994.

Total Revenues:

Revenues for the three months ended July 31, 1996 increased $22.7 million or 13.1%, compared to the same period last year. This was a result of increased revenues from the sale of homes of $23.8 million, a $0.1 million increase in financial servicing revenues, and a $0.3 million increase in collateralized mortgage financing revenues. These increases were partially offset by a $0.3 million decrease in investment properties revenues and a $1.2 million decrease in land sales and other homebuilding revenues.

Revenues for the nine months ended July 31, 1996 increased $19.4 million or 4.3%, compared to the same period last year. This was a result of increased revenues from sale of homes of $18.5 million, a $0.2 million increase in collateralized mortgage financing revenues and a $1.8 million increase in investment properties. These increases were partially offset by a $0.8 million decrease in land sales and other homebuilding revenues and a $0.3 million decrease in financial services revenues.

Homebuilding:

Sale of homes revenues increased $23.8 million or 14.5% during the three months ended July 31, 1996, and increased $18.5 million or 4.4% during the nine months ended July 31, 1996 compared to the same period last year. Revenues from sales of homes are recorded at the time each home is delivered and title and possession have been transferred to the buyer.

Information on homes delivered by market area is set forth below:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1996	1995	1996	1995

	(Dollars in Thousands)			
Northeast Region:				
Housing Revenues.....	$112,665	$101,431	$249,980	$263,840
Homes Delivered......	584	610	1,266	1,513
North Carolina:				
Housing Revenues.....	$ 33,506	$ 29,670	$ 79,013	$ 74,338
Homes Delivered......	199	188	471	471
Florida:				
Housing Revenues.....	$ 21,407	$ 14,037	$ 60,175	$ 43,885
Homes Delivered......	139	96	388	295
Metro Washington, D.C.:				
Housing Revenues.....	$ 3,614	$ 12,335	$ 11,211	$ 26,242
Homes Delivered......	16	58	49	135
California:				
Housing Revenues.....	$ 15,936	$ 5,902	$ 38,823	$ 11,162
Homes Delivered......	83	28	204	55
Other:				
Housing Revenues.....	--	$ --	--	$ 1,189
Homes Delivered......	--	--	--	33
Totals:				
Housing Revenues.....	$187,128	$163,375	$439,202	$420,656
Homes Delivered......	1,021	980	2,378	2,502

The number of home deliveries declined 5.0% for the nine months ended July 31, 1996 (compared to the prior year). The decreased number of homes delivered for the nine months ended July 31, 1996 (compared to the prior year) was primarily due to the decreases in the Company's Northeast Region and Metro Washington D. C. which were partially offset by increases in Florida and California. Due to an unusually difficult winter in the Northeast Region, home construction was delayed. In Metro Washington, D.C. the Company has cut back its operations due to a highly competitive market. Housing revenues increased $18.5 million or 4.4% during this period. This is because average sales prices have increased. In the Northeast Region one reason average sales prices are increasing is because of the Company's product mix of more detached single family homes and larger townhouses with garages designed for the move-up buyer. In North Carolina, average sales prices increased primarily due to the addition of higher priced communities. In Metro Washington, D.C. average sales prices increased because there was a higher percentage of single family detached homes delivered. In Florida average sales prices increased as a result of the addition of new, higher priced communities. In California average prices decreased due to changes in product mix and reduced home prices because of increased competition.

For the three months ended July 31, 1996 (compared to the prior year) the number of homes delivered increased 4.2% and housing revenues increased 14.5%. The delivery increases in North Carolina, Florida, and California were mostly offset by reduced deliveries in the Northeast Region and Metro Washington D.C. for the reasons noted for nine months. Housing revenues increases were also due to the same reasons noted for the nine months.

Cost of sales include expenses for housing and land and lot sales. A breakout of such expenses for housing sales and housing gross margin is set forth below:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1996	1995	1996	1995
	(Dollars in Thousands)			
Sale of Homes................	$187,128	$163,375	$439,202	$420,656
Cost of Sales................	148,742	128,615	348,630	335,322
Housing Gross Margin.........	$ 38,386	$ 34,760	$ 90,572	$ 85,334
Gross Margin Percentage......	20.5%	21.3%	20.6%	20.3%

The Company sells a variety of home types in various local communities, each yielding a different gross margin. As a result, depending on the mix of both communities and of home types delivered, consolidated quarterly gross margin will fluctuate up or down and may not be representative of the consolidated gross margin for the year. In addition, gross margin percentages are higher in the Northeast Region compared to the Company's other markets. A shift in the percentage of homes delivered out of the Northeast Region will decrease the overall gross margin percentage. For the nine months ended July

31, 1996 gross margins in each of the Company's markets except Metro Washington D.C. increased from the prior year. 56.9% of the home deliveries for the nine months ended July 31, 1996 come from the Northeast Region compared to 62.7% for the same period last year.

Selling, general, and administrative expenses increased $1.4 million during the three months ended July 31, 1996 and increased $1.6 million during the nine months ended July 31, 1996 compared to the same periods last year. As a percentage of home sale revenues such expenses decreased to 12.6% and 13.0% for the three and nine months ended July 31, 1996, respectively, from 13.6% and 13.2% for the prior year. The increase in the dollar amount of selling, general, and administrative expenses is primarily due to increased homeowner mortgage financing costs and property taxes, offset partially by reduced selling salaries and commissions. Financing costs are up due to a higher percentage of deliveries in markets where it is traditional for the seller to pay such costs. Property taxes are up, primarily in California where inventories have increased significantly over last year and property taxes are generally higher. As a percentage of home sales revenues the decrease is due to increased home sale revenues.

Land Sales and Other Revenues:

Land sales and other revenues consist primarily of land and lot sales, title insurance activities, interest income, contract deposit forfeitures, and California housing management operations.

A breakout of land and lot sales is set forth below:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1996	1995	1996	1995
Land and Lot Sales................	$ 1,727	$ 3,109	$ 6,396	$ 6,415
Cost of Sales.....................	1,745	3,558	5,668	5,461
Land and Lot Sales Gross Margin...	$ (18)	$ (449)	$ 728	$ 954

Land and lot sales are incidental to the Company's residential housing operations and are expected to continue in the future but may significantly fluctuate up or down.

In May 1994, the Company purchased a homebuilding and management company in California. Although no new management contracts are being obtained, the existing contracts resulted in $1.0 million of revenues for the nine months ended July 31, 1995 compared to zero for the nine months ended July 31, 1996. Included in Other Operations (see below) are expenses associated with the California homebuilding management operations.

Financial Services

Financial services consist primarily of originating mortgages from sales of the Company's homes, and selling such mortgages in the secondary market. Approximately 34% and 30% of the Company's homebuyers obtained mortgages originated by the Company's wholly-owned mortgage banking subsidiaries during the years ended October 31, 1995 and 1994, respectively. For the nine months ended July 31, 1996 and 1995 substantially all of the financial services losses were the result of reduced volume and low interest rate spreads, due to increased competition. Most servicing rights on new mortgages originated by the Company will be sold as the loans are closed. For the nine months ended July 31, 1996, due to cost cutting efforts, the Company has reduced expenses $1.0 million compared to the same period last year, while revenues only decreased $0.3 million over the same period.

Investment Properties

Investment Properties consist of rental properties, property management, and gains or losses from sale of such property. At July 31, 1996, the Company owned and was leasing two office buildings, three office/warehouse facilities, two retail centers, and two senior citizen rental communities in New Jersey. During the first quarter of fiscal 1996 the Company sold a retail center and reported a pretax profit of $2.0 million. Investment Properties expenses do not include interest expense which is reported below under "Interest."

Collateralized Mortgage Financing

In the years prior to February 29, 1988 the Company pledged mortgage loans originated by its mortgage banking subsidiaries against collateralized mortgage obligations ("CMO's"). Subsequently the Company discontinued its CMO program. As a result, CMO operations are diminishing as pledged loans are decreasing through principal amortization and loan payoffs, and related bonds are reduced. During the three months ended July 31, 1996 the Company sold a portion of its CMO pledged mortgages. The Company received a premium from these sales which resulted in a profit after costs and the write-off of unamortized issuance expenses.

Corporate General and Administrative

Corporate general and administration expenses includes the operations at the Company's headquarters in Red Bank, New Jersey. Such expenses include the Company's executive offices, information services, human resources, corporate accounting, training, treasury, process redesign, internal audit, and administration of insurance, quality, and safety. Corporate general and administration expenses increased $0.4 million and $1.4 million during the three and nine months ended July 31, 1996 compared to the same periods last year, or 13.6% and 15.0%. As a percentage of total revenues such expenses were 1.6% and 2.2% for the three and nine months ended July 31, 1996 compared to 1.6% and 2.0% for the same periods last year. The increase was primarily the result of a one-time insurance adjustment expensed at Corporate and increased depreciation on recently acquired computer equipment for all Company locations.

Interest

Interest expense includes housing, land and lot, and rental properties interest. Interest expense is broken down as follows:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1996	1995	1996	1995
Sale of Homes..................	$ 6,339	$ 5,347	$ 15,538	$ 14,104
Land and Lot Sales.............	324	511	620	586
Rental Properties..............	1,300	1,356	4,201	3,950
Total..........................	$ 7,963	$ 7,214	$ 20,359	$ 18,640

Housing interest as a percentage of sale of homes revenues amounted to 3.4% and 3.5% for the three and nine months ended July 31, 1996 and 3.3% and 3.4% for the three and six months ended July 31, 1995.

Other Operations

Other operations consist primarily of title insurance activities, miscellaneous residential housing operations expenses, amortization of prepaid subordinated note issuance expenses, corporate owned life insurance loan interest, and California housing management operations (see "Land Sales and Other Revenues" above). During the nine months ended July 31, 1995 other expenses included California homebuilding management expenses and amortization of purchased management contracts totaling $1.1 million.

Total Taxes

Total taxes as a percentage of income before income taxes amounted to 24.5% for the nine months ended July 31, 1996 compared to 23.8% for the nine months ended July 31, 1995. Deferred federal and state income tax assets primarily represents the deferred tax benefits arising from temporary differences between book and tax income which will be recognized in future years.

Inflation:

Inflation has a long-term effect on the Company because increasing costs of land, materials and labor result in increasing sale prices of its homes. In general, these price increases have been commensurate with the general rate of inflation in the Company's housing market and have not had a significant adverse effect on the sale of the Company's homes. A significant risk faced by the housing industry generally is that rising house costs, including land and interest costs, will substantially outpace increases in the income of potential purchasers. In recent years, in the price ranges in which it sells homes, the Company has not found this risk to be a significant problem.

Inflation has a lesser short-term effect on the Company because the Company generally negotiates fixed price contracts with its subcontractors and material suppliers for the construction of its homes. These prices usually are applicable for a specified number of residential buildings or for a time period of between four to twelve months. Construction costs for residential buildings represent approximately 51% of the Company's total costs and expenses.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of l934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOVNANIAN ENTERPRISES, INC.
(Registrant)

DATE: September 10, 1996	/S/KEVORK S. HOVNANIAN Kevork S. Hovnanian, Chairman of the Board and Chief Executive Officer
DATE: September 10, 1996	/S/PAUL W. BUCHANAN Paul W. Buchanan, Senior Vice President Corporate Controller

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

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