

Item 8.01. Other Events

As previously reported, Palisades Acquisition XVI, LLC (Palisades XVI), an indirect wholly owned subsidiary of Asta Funding, Inc. (the Company), entered into a Receivables Financing Agreement, (as amended, the Agreement), with, among other parties, BMO Capital Markets Corp. (BMO), pursuant to which Palisades XVI borrowed approximately \$227 million in order to finance a portion of the \$300 million purchase price for a portfolio of approximately \$6.9 billion in face value receivables. On December 1, 2008, as a result of the actual collections being lower than the minimum collection rates required under the Agreement for the month ended November 30, 2008, a termination event occurred under the Agreement.

Palisades XVI and BMO continue to negotiate a fourth amendment (the Fourth Amendment) to the Receivables Financing Agreement, which would, among other things, lower the minimum collection rate and, under certain circumstances, extend the maturity date. In connection with the proposed Fourth Amendment, the Company is negotiating limited credit support (representing less than 2 percent of its total assets) for the benefit of BMO, and an intercreditor agreement (the Intercreditor Agreement). This arrangement will require the consent of the consortium of banks that provide the Company s existing line of credit under the Fourth Amended and Restated Loan Agreement (the Credit Agreement). In connection with obtaining such consent, the Company is also discussing other amendments, including amending certain provisions of the Credit Agreement (the Credit Agreement Amendment) to reduce the maximum availability and amend certain financial covenants of the Credit Agreement. There can be no assurance the Company will be able to negotiate any or all of the Fourth Amendment, the Intercreditor Agreement or the Credit Agreement Amendment and related documents, or that the terms of any such documents will be favorable to the Company.

In order to address these issues, the parties to the Agreement have executed a series of waivers of the termination event, the latest of which is dated as of January 14, 2009, which now provides that, among other things, the termination event would be waived until January 23, 2009.

The description of the Waiver set forth herein does not purport to be complete and is qualified in its entirety by reference to the full text of the Waiver, a copy of which will be filed as an exhibit to the Company s Annual Report on Form 10-K for fiscal year ended September 30, 2008.

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ASTA FUNDING, INC.

Date: January 15, 2008

By: /s/ Mitchell Cohen

Mitchell Cohen

Chief Financial Officer