

NEW YORK MORTGAGE TRUST INC
Form 10-Q
May 10, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2006.

OR

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

For the Transition Period From _____ to _____

Commission File Number 001-32216

NEW YORK MORTGAGE TRUST, INC.
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

47-0934168
(I.R.S. Employer
Identification No.)

1301 Avenue of the Americas, New York, New York 10019
(Address of principal executive office) (Zip Code)

(212) 634-9400
(Registrant's telephone number, including area code)

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 by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filers" and "large accelerated filers" in Rule 12b-2 of the Exchange Act. (check one):

Large Accelerated Filer ☐

Accelerated Filer ☒

Non-Accelerated Filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No p

The number of shares of the registrant's common stock, par value \$.01 per share, outstanding on May 1, 2006 was 17,918,618.

NEW YORK MORTGAGE TRUST, INC.

FORM 10-Q

Part I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements:

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of Cash Flows

Consolidated Statements of Stockholders' Equity

Notes to Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Financial Statement Effects

General

Strategic Overview

Description of Business

Known Material Trends and Commentary

Significance of Estimates and Critical Accounting Policies

Overview of Performance

Summary of Operations and Key Performance Measurements

Financial Highlights for the First Quarter of 2006

Results of Operations and Financial Condition

Off-Balance Sheet Arrangements

Liquidity and Capital Resources

Inflation

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

Credit Spread Exposure

Fair Values

Item 4. Controls and Procedures

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

Item 6. Exhibits

Signatures

PART I: FINANCIAL INFORMATION
NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollar amounts in thousands)

	March 31, 2006 (unaudited)	December 31, 2005
ASSETS		
Cash and cash equivalents	\$ 5,549	\$ 9,056
Restricted cash	3,287	5,468
Investment securities - available for sale	485,483	716,482
Receivable for securities sold	197,856	—
Due from loan purchasers	101,201	121,813
Escrow deposits - pending loan closings	2,947	1,434
Accounts and accrued interest receivable	17,219	14,866
Mortgage loans held for sale	114,254	108,271
Mortgage loans held in securitization trusts	740,546	776,610
Mortgage loans held for investment	—	4,060
Prepaid and other assets	18,683	16,505
Derivative assets	10,741	9,846
Property and equipment, net	7,010	6,882
TOTAL ASSETS	\$ 1,704,776	\$ 1,791,293
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Financing arrangements, portfolio investments	\$ 1,056,744	\$ 1,166,499
Financing arrangements, loans held for sale/for investment	210,046	225,186
Collateralized debt obligations	220,532	228,226
Due to loan purchasers	1,631	1,652
Accounts payable and accrued expenses	15,645	22,794
Subordinated debentures	45,000	45,000
Derivative liabilities	585	394
Payable for securities purchased	60,000	—
Other liabilities	890	584
Total liabilities	1,611,073	1,690,335
COMMITMENTS AND CONTINGENCIES (Note 13)		
STOCKHOLDERS' EQUITY:		
Common stock, \$0.01 par value, 400,000,000 shares authorized, 18,191,996 shares issued and 17,918,618 outstanding at March 31, 2006 and 18,258,221 shares issued and 17,953,674 outstanding at December 31, 2005	182	183
Additional paid-in capital	104,996	107,573
Accumulated other comprehensive (loss)/income	(971)	1,910
Accumulated deficit	(10,504)	(8,708)
Total stockholders' equity	93,703	100,958
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,704,776	\$ 1,791,293

See notes to consolidated financial statements.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollar amounts in thousands, except per share data)
(unaudited)

	For the Three Months Ended			
	March 31,			
	2006		2005	
REVENUE:				
Interest income:				
Investment securities and loans held in securitization trusts	\$	17,584	\$	12,863
Loans held for investment		—		1,661
Loans held for sale		5,042		2,593
Total interest income		22,626		17,117
Interest expense:				
Investment securities and loans held in securitization trusts		14,079		8,620
Loans held for investment		—		1,144
Loans held for sale		3,315		1,848
Subordinated debentures		885		78
Total interest expense		18,279		11,690
Net interest income		4,347		5,427
OTHER INCOME (EXPENSE):				
Gain on sales of mortgage loans		4,070		4,321
Brokered loan fees		2,777		2,000
Loss on sale of current period securitized loans		(773)		—
Gain on sale of securities and related hedges		—		377
Realized loss on investment securities		(969)		—
Miscellaneous income		119		114
Total other income (expense)		5,224		6,812
EXPENSES:				
Salaries, commissions and benefits		6,341		7,143
Brokered loan expenses		2,168		1,519
Occupancy and equipment		1,326		2,135
Marketing and promotion		787		1,400
Data processing and communications		661		518
Office supplies and expenses		605		573
Professional fees		1,281		744
Travel and entertainment		182		215
Depreciation and amortization		565		343
Other		367		377
Total expenses		14,283		14,967
LOSS BEFORE INCOME TAX BENEFIT		(4,712)		(2,728)
Income tax benefit		2,916		2,690
NET LOSS	\$	(1,796)	\$	(38)
Basic and diluted loss per share	\$	(0.10)	\$	0.00
Weighted average shares outstanding-basic and diluted		17,967		17,797

See notes to consolidated financial statements.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the Three Months Ended March 31, 2006

(dollar amounts in thousands)

(unaudited)

	Common Stock	Additional Paid-In Capital	Stockholders' Deficit	Accumulated Other Comprehensive (Loss)/ Income	Comprehensive (Loss)/ Income	Total
BALANCE, JANUARY 1, 2006 -- Stockholders' Equity	183	\$ 107,573	\$ (8,708)	\$ 1,910	—\$	100,958
Net loss	—	—	(1,796)	—\$	(1,796)	(1,796)
Dividends declared	—	(2,547)	—	—	—	(2,547)
Repurchase of common stock	(1)	(299)	—	—	—	(300)
Vested restricted stock	—	241	—	—	—	241
Vested performance shares	—	24	—	—	—	24
Vested stock options	—	4	—	—	—	4
Decrease in net unrealized gain on available for sale securities	—	—	—	(7,562)	(7,562)	(7,562)
Increase in net unrealized gain on derivative instruments	—	—	—	4,681	4,681	4,681
Comprehensive loss	—	—	—	—\$	(4,677)	—
BALANCE, MARCH 31, 2006 -- Stockholders' Equity	182	\$ 104,996	\$ (10,504)	\$ (971)	\$	93,703

See notes to consolidated financial statements.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollar amounts in thousands)
(unaudited)

	For the Three Months Ended	
	March 31,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,796)	\$ (38)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	565	343
Amortization of premium on investment securities and mortgage loans	446	1,185
Loss on sale of current period securitized loans	773	—
Realized loss on sale of investment securities	969	—
Gain on sale of securities and related hedges	—	(377)
Purchase of mortgage loans held for sale	(213,367)	—
Origination of mortgage loans held for sale	(422,247)	(426,768)
Proceeds from sales of mortgage loans	628,314	411,670
Restricted stock compensation expense	264	997
Stock option grants - compensation expense	4	9
Deferred tax benefit	(2,916)	(2,690)
Change in value of derivatives	(125)	(977)
(Increase) decrease in operating assets:		
Due from loan purchasers	20,612	(11,436)
Escrow deposits - pending loan closings	(1,513)	(6,206)
Accounts and accrued interest receivable	(2,353)	2,508
Prepaid and other assets	583	(1,021)
Increase (decrease) in operating liabilities:		
Due to loan purchasers	(21)	64
Accounts payable and accrued expenses	(5,861)	124
Other liabilities	307	110
Net cash provided by (used in) operating activities	2,638	(32,503)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Restricted cash	2,181	1,926
Purchase of investment securities	(124,896)	(2,355)
Purchase of mortgage loans held in securitization trusts	—	(167,874)
Principal repayments received on mortgage loans held in securitization trusts	40,405	5,600
Proceeds from sale of investment securities	159,040	—
Origination of mortgage loans held for investment	—	(136,393)
Principal paydown on investment securities	54,475	86,656
Payments received on loans held for investment	—	3,816
Purchases of property and equipment	(626)	(526)
Net cash provided by (used in) investing activities	130,579	(209,150)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of common stock	(299)	—
Change in financing arrangements, net	(132,591)	220,293
Dividends paid	(3,834)	(4,347)

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Issuance of subordinated debentures	—	25,000
Net cash (used in) provided by financing activities	(136,724)	240,946
NET DECREASES IN CASH AND CASH EQUIVALENTS	(3,507)	(707)
CASH AND CASH EQUIVALENTS - Beginning of period	9,056	7,613
CASH AND CASH EQUIVALENTS - End of period	\$ 5,549	\$ 6,906
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	\$ 22,688	\$ 15,408
NON CASH FINANCING ACTIVITIES		
Dividends declared to be paid in subsequent period	\$ 2,547	\$ 4,529
NON CASH INVESTING ACTIVITIES		
Non-cash purchase of investment securities	\$ 60,000	—

See notes to consolidated financial statements.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2006 (Unaudited)

1. Summary of Significant Accounting Policies

Organization - New York Mortgage Trust, Inc. ("NYMT" or the "Company") is a fully-integrated, self-advised, residential mortgage finance company formed as a Maryland corporation in September 2003. The Company earns net interest income from residential mortgage-backed securities and fixed-rate and adjustable-rate mortgage loans and securities originated through its wholly-owned subsidiary, The New York Mortgage Company, LLC ("NYMC") or acquired from third parties. The Company also earns net interest income from its investment in and the securitization of certain adjustable rate mortgage loans that meet the Company's investment criteria. Licensed, or exempt from licensing, in 44 states and the District of Columbia and through a network of 27 full-service loan origination locations and 26 satellite loan origination locations, NYMC originates a wide range of mortgage loans, with a primary focus on prime, residential mortgage loans.

The Company is organized and conducts its operations to qualify as a real estate investment trust ("REIT") for federal income tax purposes. As such, the Company will generally not be subject to federal income tax on that portion of its income that is distributed to stockholders if it distributes at least 90% of its REIT taxable income to its stockholders by the due date of its federal income tax return and complies with various other requirements.

On January 9, 2004, the Company capitalized New York Mortgage Funding, LLC ("NYMF") as a wholly-owned subsidiary of the Company. NYMF is a qualified REIT subsidiary, or QRS, in which the Company accumulates mortgage loans that the Company intends to securitize.

On March 30, 2006 the NYMT completed its fourth loan securitization transaction of approximately \$277.4 million of high-credit quality, first-lien, adjustable rate mortgage ("ARM") loans, 24% of which were self-originated through NYMC. The securitization is comprised of approximately \$274.6 million of certificates issued by New York Mortgage Trust 2006-1 (the "Trust"). The terms of this securitization were structured to meet the criteria for sale as required in SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*. As a result of this transaction, the Company recorded a \$0.4 million servicing asset related to self-originated loans.

As used herein, references to the "Company," "NYMT," "we," "our" and "us" refer to New York Mortgage Trust, Inc. collectively with its subsidiaries.

Basis of Presentation - The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q. As permitted by the rules and regulations of the Securities and Exchange Commission (the "SEC"), the financial statements contain certain condensed financial information and exclude certain footnote disclosures normally included in audited consolidated financial statements prepared in accordance with United States generally accepted accounting principles ("GAAP"). In the opinion of management, the accompanying financial statements contain all adjustments, including normal recurring accruals, necessary to fairly present the accompanying financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K, for the year ended December 31, 2005. Operating results for the interim period are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2006. Certain prior period amounts have been reclassified to conform to current period classifications, including the reclassification of \$1.7 million of Interest income - Loans held for investment, for the quarter ended March 31, 2005, to Interest income - Investment securities and loans held in securitization trusts. In addition, there was a reclassification of \$1.1 million of Interest expense - Loans held for investment, for the quarter ended March 31, 2005, to Interest expense - Investment securities and loans held in securitization trusts. All intercompany transactions and balances have been eliminated.

Upon the closing of the Company's IPO, of the 2,750,000 shares exchanged for the equity interests of NYMC, 100,000 shares were held in escrow through December 31, 2004 and were available to satisfy any indemnification claims the Company may have had against the contributors of NYMC for losses incurred as a result of defaults on any residential mortgage loans originated by NYMC and closed prior to the completion of the IPO. As of December 31, 2004, the amount of escrowed shares was reduced by 47,680 shares, representing \$493,000 for estimated losses on loans closed prior to the Company's IPO. Furthermore, the contributors of NYMC entered into a new escrow agreement which extended the escrow period to December 31, 2005 for the remaining 52,320 shares. On or about December 31, 2005, the escrow period was extended for an additional year to December 31, 2006. There have been no additional losses with respect to the escrow agreement recorded during the three month period ended March 31, 2006.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's estimates and assumptions primarily arise from risks and uncertainties associated with interest rate volatility, prepayment volatility and credit exposure. Although management is not currently aware of any factors that would significantly change its estimates and assumptions in the near term, future changes in market conditions may occur which could cause actual results to differ materially.

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, amounts due from banks and overnight deposits. The Company maintains its cash and cash equivalents in highly rated financial institutions, and at times these balances exceed insurable amounts.

Restricted Cash - Restricted cash is held by counterparties as collateral for hedging instruments, a warehouse facility and two letters of credit related to the Company's lease of its corporate headquarters

Investment Securities Available for Sale - The Company's investment securities are residential mortgage-backed securities comprised of Ginnie Mae ("GNMA") and "AAA"- rated adjustable-rate securities, including adjustable-rate loans that have an initial fixed-rate period. Investment securities are classified as available for sale securities and are reported at fair value with unrealized gains and losses reported in other comprehensive income ("OCI"). Realized gains and losses recorded on the sale of investment securities available for sale are based on the specific identification method and included in gain on sale of securities and related hedges. Purchase premiums or discounts on investment securities are accreted or amortized to interest income over the estimated life of the investment securities using the interest method. Investment securities may be subject to interest rate, credit and/or prepayment risk.

When the fair value of an available for sale security is less than amortized cost, management considers whether there is an other-than-temporary impairment in the value of the security (e.g., whether the security will be sold prior to the recovery of fair value). Management considers at a minimum the following factors that, both individually or in combination, could indicate the decline is "other-than-temporary:" 1) the length of time and extent to which the market value has been less than book value; 2) the financial condition and near-term prospects of the issuer; or 3) the intent and ability of the Company to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value. If, in management's judgment, an other-than-temporary impairment exists, the cost basis of the security is written down to the then-current fair value, and the unrealized loss is transferred from accumulated other comprehensive income as an immediate reduction of current earnings (i.e., as if the loss had been realized in the period of impairment). Even though no credit concerns exist with respect to an available for sale security, an other-than-temporary impairment may be evident if management determines that the Company does not have the intent and ability to hold an investment until a forecasted recovery of the value of the investment.

As of December 31, 2005, management concluded that the decline in value of certain of the available for sale securities was other-than-temporary based on the intent of the Company to potentially sell such securities rather than retain them for a time sufficient to allow for anticipated recovery in market value. Accordingly, the cost basis of those securities of \$395.7 million was written down to fair value and an unrealized loss of \$7.4 million was transferred from accumulated other comprehensive income as an impairment loss on investment securities during the year ended December 31, 2005. During the quarter ended March 31, 2006 these securities were sold which resulted in an additional loss of approximately \$1.0 million, due to a decline in the value of such securities subsequent to the year end.

Due from Loan Purchasers and Escrow Deposits - Pending Loan Closings - Amounts due from loan purchasers are a receivable for the principal and premium due to us for loans sold and shipped but for which payment has not yet been received at period end. Escrow deposits pending loan closing are advance cash fundings by us to escrow agents to be used to close loans within the next one to three business days.

Mortgage Loans Held for Sale - Mortgage loans held for sale represent originated mortgage loans held for sale to third party investors. The loans are initially recorded at cost based on the principal amount outstanding net of deferred direct origination costs and fees. The loans are subsequently carried at the lower of cost or market value. Market value is determined by examining outstanding commitments from investors or current investor yield requirements, calculated on an aggregate loan basis, less an estimate of the costs to close the loan, and the deferral of fees and points received, plus the deferral of direct origination costs. Gains or losses on sales are recognized at the time title transfers to the investor which is typically concurrent with the transfer of the loan files and related documentation and are based upon the difference between the sales proceeds from the final investor and the adjusted book value of the loan sold.

Mortgage Loans Held in Securitization Trusts - Mortgage loans held in securitization trusts are certain ARM mortgage loans transferred to the NYMT 2005-1, the NYMT 2005-2 and the NYMT 2005-3 that have been securitized into sequentially rated classes of beneficial interests. Mortgage loans held in securitization trusts are recorded at amortized cost, using the same accounting principles as that used for mortgage loans held for investment.

Currently the Company has retained 100% of the securities issued by NYMT 2005-1 and the NYMT 2005-2 and the securities have been financed as a secured borrowing under repurchase agreements. For our third securitization, NYMT 2005-03, we sold investment grade securities to third parties, which are recorded as collateralized debt obligations on the accompanying consolidated balance sheet.

Mortgage Loans Held for Investment - The Company may retain the adjustable-rate mortgage loans originated that meet specific investment criteria and portfolio requirements. Loans originated and retained in the Company's portfolio are serviced through a servicer. Servicing is the function primarily consisting of collecting monthly payments from mortgage borrowers, and disbursing those funds to the appropriate loan investors.

Mortgage loans held for investment are recorded net of deferred loan origination fees and associated direct costs and are stated at amortized cost. Net loan origination fees and associated direct mortgage loan origination costs are deferred and amortized over the life of the loan as an adjustment to yield. This amortization includes the effect of projected prepayments.

Interest income is accrued and recognized as revenue when earned according to the terms of the mortgage loans and when, in the opinion of management, it is collectible. The accrual of interest on loans is discontinued when, in management's opinion, the interest is not collectible in the normal course of business, but in no case when payment becomes greater than 90 days delinquent. Loans return to accrual status when principal and interest become current and are anticipated to be fully collectible.

Mortgage Servicing Rights - When the Company sells loans in securitizations of residential mortgage loans, it may, depending on the structure of the securitization, capitalize mortgage servicing rights ("MSRs") that are initially measured at fair value based on defined interest rate risk strata. When the Company sells certain loans and retains the servicing rights, it allocates the cost basis of the loans between the assets sold and the MSRs based on their relative fair values on the date of sale. Generally, MSRs are a result from certain loan securitizations structured as real estate mortgage investment conduits ("REMIC").

The Company estimates the fair value of its MSRs based on the present value of future expected cash flows estimated using management's best estimates of key assumptions, including prepayment speeds, forward yield curves, and discount rates commensurate with the risk involved. Periodic changes in fair value are recorded to income or expense for the period.

For the period ended March 31, 2006, mortgage servicing rights were created as a result of our securitization of \$277.4 million of mortgage loans through New York Mortgage Trust 2006-1 on March 30, 2006. The value of these servicing rights is \$0.4 million at March 31, 2006 and is included as a component of "Other assets" on the Company's consolidated balance sheet.

Credit Risk and Allowance for Loan Losses - The Company limits its exposure to credit losses on its portfolio of residential adjustable-rate mortgage-backed securities by purchasing securities that are guaranteed by a government-sponsored or federally-chartered corporation (FNMA, FHLMC or GNMA) (collectively “Agency Securities”) or that have a “AAA” investment grade rating by at least one of two nationally recognized rating agencies, Standard & Poor’s, Inc. or Moody’s Investors Service, Inc. at the time of purchase.

The Company seeks to limit its exposure to credit losses on its portfolio of residential adjustable-rate mortgage loans held for investment (including mortgage loans held in the securitization trusts) by originating and investing in loans primarily to borrowers with strong credit profiles, which are evaluated by analyzing the borrower’s credit score (“FICO” is a credit score, ranging from 300 to 850, with 850 being the best score, based upon the credit evaluation methodology developed by Fair, Isaac and Company, a consulting firm specializing in creating credit evaluation models), employment, income and assets and related documentation, the amount of equity in and the value of the property securing the borrower’s loan, debt to income ratio, credit history, funds available for closing and post-closing liquidity.

The Company estimates an allowance for loan losses based on management's assessment of probable credit losses in the Company's investment portfolio of residential mortgage loans. Mortgage loans are collectively evaluated for impairment as the loans are homogeneous in nature. The allowance is based upon management's assessment of various credit-related factors, including current economic conditions, the credit diversification of the portfolio, loan-to-value ratios, delinquency status, historical credit losses, purchased mortgage insurance and other factors deemed to warrant consideration. If the credit performance of mortgage loans held for investment deviates from expectations, the allowance for loan losses is adjusted to a level deemed appropriate by management to provide for estimated probable losses in the portfolio.

The allowance will be maintained through ongoing provisions charged to operating income and will be reduced by loans that are charged off. As of March 31, 2006 the allowance for loan losses is insignificant. Determining the allowance for loan losses is subjective in nature due to the estimation required.

Property and Equipment, Net - Property and equipment have lives ranging from three to ten years, and are stated at cost less accumulated depreciation and amortization. Depreciation is determined in amounts sufficient to charge the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Leasehold improvements are amortized over the lesser of the life of the lease or service lives of the improvements using the straight-line method.

Financing Arrangements, Portfolio Investments— Portfolio investments are typically financed with repurchase agreements, a form of collateralized borrowing which is secured by the Company's portfolio securities on the balance sheet. Such financings are recorded at their outstanding principal balance with any accrued interest due recorded as an accrued expense.

Financing Arrangements, Loans Held for Sale/for Investment— Loans held for sale or for investment are typically financed with warehouse lines that are collateralized by loans we originate or purchase from third parties. Such financings are recorded at their outstanding principal balance with any accrued interest due recorded as an accrued expense.

Collateralized Debt Obligations - CDOs are debt securities that are issued by the Company through an "on balance sheet" securitization and typically secured by ARM loans. For financial reporting purposes, the ARM loans and restricted cash held as collateral are recorded as assets of the Company and the CDO is recorded as the Company's debt. The transaction includes interest rate caps held by the securitization trust and recorded as an asset or liability of the Company.

Subordinated Debentures - Subordinated debentures are trust preferred securities that are fully guaranteed by the Company with respect to distributions and amounts payable upon liquidation, redemption or repayment. These securities are classified as subordinated debentures in the liability section of the Company's consolidated balance sheet.

Derivative Financial Instruments - The Company has developed risk management programs and processes, which include investments in derivative financial instruments designed to manage market risk associated with its mortgage banking and its mortgage-backed securities investment activities.

All derivative financial instruments are reported as either assets or liabilities in the consolidated balance sheet at fair value. The gains and losses associated with changes in the fair value of derivatives not designated as hedges are reported in current earnings. If the derivative is designated as a fair value hedge and is highly effective in achieving offsetting changes in the fair value of the asset or liability hedged, the recorded value of the hedged item is adjusted by its change in fair value attributable to the hedged risk. If the derivative is designated as a cash flow hedge, the effective portion of change in the fair value of the derivative is recorded in OCI and is recognized in the statement of operations when the hedged item affects earnings. The Company calculates the effectiveness of these hedges on an

ongoing basis, and, to date, has calculated effectiveness of approximately 100%. Ineffective portions, if any, of changes in the fair value or cash flow hedges are recognized in earnings. (See Note 16 below).

Risk Management - Derivative transactions are entered into by the Company solely for risk management purposes. The decision of whether or not an economic risk within a given transaction (or portion thereof) should be hedged for risk management purposes is made on a case-by-case basis, based on the risks involved and other factors as determined by senior management, including the financial impact on income, asset valuation and restrictions imposed by the Internal Revenue Code among others. In determining whether to hedge a risk, the Company may consider whether other assets, liabilities, firm commitments and anticipated transactions already offset or reduce the risk. All transactions undertaken to hedge certain market risks are entered into with a view towards minimizing the potential for economic losses that could be incurred by the Company. Under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), the Company is required to formally document its hedging strategy before it may elect to implement hedge accounting for qualifying derivatives. Accordingly, all qualifying derivatives are intended to qualify as fair value, or cash flow hedges, or free standing derivatives. To this end, terms of the hedges are matched closely to the terms of hedged items with the intention of minimizing ineffectiveness.

In the normal course of its mortgage loan origination business, the Company enters into contractual interest rate lock commitments to extend credit to finance residential mortgages. These commitments, which contain fixed expiration dates, become effective when eligible borrowers lock-in a specified interest rate within time frames established by the Company's origination, credit and underwriting practices. Interest rate risk arises if interest rates change between the time of the lock-in of the rate by the borrower and the sale of the loan. Under SFAS No. 133, the IRLCs are considered undesignated or free-standing derivatives. Accordingly, such IRLCs are recorded at fair value with changes in fair value recorded to current earnings. Mark to market adjustments on IRLCs are recorded from the inception of the interest rate lock through the date the underlying loan is funded. The fair value of the IRLCs is determined by the interest rate differential between the contracted loan rate and the currently available market rates as of the reporting date.

To mitigate the effect of the interest rate risk inherent in providing IRLCs from the lock-in date to the funding date of a loan, the Company generally enters into forward sale loan contracts ("FSLC"). The FSLCs in place prior to the funding of a loan are undesignated derivatives under SFAS No. 133 and are marked to market through current earnings.

Derivative instruments contain an element of risk in the event that the counterparties may be unable to meet the terms of such agreements. The Company minimizes its risk exposure by limiting the counterparties with which it enters into contracts to banks, investment banks and certain private investors who meet established credit and capital guidelines. Management does not expect any counterparty to default on its obligations and, therefore, does not expect to incur any loss due to counterparty default. These commitments and option contracts are considered in conjunction with the Company's lower of cost or market valuation of its mortgage loans held for sale.

The Company uses other derivative instruments, including treasury, agency or mortgage-backed securities forward sale contracts which are also classified as free-standing, undesignated derivatives and thus are recorded at fair value with the changes in fair value recognized in current earnings.

Once a loan has been funded, the Company's primary risk objective for its mortgage loans held for sale is to protect earnings from an unexpected charge due to a decline in value. The Company's strategy is to engage in a risk management program involving the designation of FSLCs (the same FSLCs entered into at the time of rate lock) to hedge most of its mortgage loans held for sale. The FSLCs have been designated as qualifying hedges for the funded loans and the notional amount of the forward delivery contracts, along with the underlying rate and critical terms of the contracts, are equivalent to the unpaid principal amount of the mortgage loan being hedged. The FSLCs effectively fix the forward sales price and thereby offset interest rate and price risk to the Company. Accordingly, the Company evaluates this relationship quarterly and, at the time the loan is funded, classifies and accounts for the FSLCs as cash flow hedges.

Interest Rate Risk - The Company hedges the aggregate risk of interest rate fluctuations with respect to its borrowings, regardless of the form of such borrowings, which require payments based on a variable interest rate index. The Company generally intends to hedge only the risk related to changes in the benchmark interest rate (London Interbank Offered Rate ("LIBOR") or a Treasury rate).

In order to reduce such risks, the Company enters into swap agreements whereby the Company receives floating rate payments in exchange for fixed rate payments, effectively converting the borrowing to a fixed rate. The Company also enters into cap agreements whereby, in exchange for a fee, the Company is reimbursed for interest paid in excess of a certain capped rate.

To qualify for cash flow hedge accounting, interest rate swaps and caps must meet certain criteria, including:

- the items to be hedged expose the Company to interest rate risk; and
- the interest rate swaps or caps are expected to be and continue to be highly effective in reducing the Company's exposure to interest rate risk.

The fair values of the Company's interest rate swap agreements and interest rate cap agreements are based on market values provided by dealers who are familiar with the terms of these instruments. Correlation and effectiveness are periodically assessed at least quarterly based upon a comparison of the relative changes in the fair values or cash flows of the interest rate swaps and caps and the items being hedged.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e. hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instruments are reported as a component of OCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instruments in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in current earnings during the period of change.

With respect to interest rate swaps and caps that have not been designated as hedges, any net payments under, or fluctuations in the fair value of, such swaps and caps, will be recognized in current earnings.

Termination of Hedging Relationships - The Company employs a number of risk management monitoring procedures to ensure that the designated hedging relationships are demonstrating, and are expected to continue to demonstrate, a high level of effectiveness. Hedge accounting is discontinued on a prospective basis if it is determined that the hedging relationship is no longer highly effective or expected to be highly effective in offsetting changes in fair value of the hedged item.

Additionally, the Company may elect to undesignate a hedge relationship during an interim period and re-designate upon the rebalancing of a hedge profile and the corresponding hedge relationship. When hedge accounting is discontinued, the Company continues to carry the derivative instruments at fair value with changes recorded in current earnings.

Other Comprehensive Income - Other comprehensive income is comprised primarily of net income (loss) from changes in value of the Company's available for sale securities, and the impact of deferred gains or losses on changes in the fair value of derivative contracts hedging future cash flows.

Gain on Sale of Mortgage Loans - The Company recognizes gain on sale of loans sold to third parties as the difference between the sales price and the adjusted cost basis of the loans when title transfers. The adjusted cost basis of the loans includes the original principal amount adjusted for deferrals of origination and commitment fees received, net of direct loan origination costs paid.

Loan Origination Fees and Direct Origination Cost - The Company records loan fees, discount points and certain incremental direct origination costs as an adjustment of the cost of the loan and such amounts are included in gain on sales of loans when the loan is sold. Accordingly, salaries, compensation, benefits and commission costs have been reduced by \$6.4 million and \$9.6 million for the three months periods ended March 31, 2006 and 2005, respectively, because such amounts are considered incremental direct loan origination costs.

Brokered Loan Fees and Expenses - The Company records commissions associated with brokered loans when such loans are closed with the borrower. Costs associated with brokered loans are expensed when incurred.

Loan Commitment Fees - Mortgage loans held for sale: fees received for the funding of mortgage loans to borrowers at pre-set conditions are deferred and recognized at the date at which the loan is sold. Mortgage loans held for investment: such fees are deferred and recognized into interest income over the life of the loan based on the effective yield method.

Employee Benefit Plans - The Company sponsors a defined contribution plan (the "Plan") for all eligible domestic employees. The Plan qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under the Plan, participating employees may defer up to 15% of their pre-tax earnings, subject to the annual Internal Revenue Code contribution limit. The Company matches contributions up to a maximum of 25% of the first 5% of eligible compensation. Employees vest immediately in their contribution and vest in the Company's contribution at a rate of 25% after two full years and then an incremental 25% per full year of service until fully vested at 100% after five full years of service. The Company's total contributions to the Plan were \$0.1 million for each three month period ended March 31, 2006 and 2005.

Stock Based Compensation - Until January 1, 2006, the Company followed the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123") and SFAS No. 148, "Accounting for Stock-Based Compensation, Transition and Disclosure" ("SFAS No. 148"). The provisions of SFAS No. 123 allow companies either to expense the estimated fair value of stock options or to continue to follow the intrinsic value method set forth in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25") and disclose the pro forma effects on net income (loss) had the fair value of the options been expensed. The Company, since its inception, has elected not to apply APB No. 25 in accounting for its stock option incentive plans and has expensed stock based compensation in accordance with SFAS No. 123.

In December, 2004 the Financial Accounting Standards Board ("FASB") issued SFAS No. 123R, "Share-Based Payment," ("SFAS No. 123R") which will require all companies to measure compensation costs for all share-based payments, including employee stock options, at fair value. This statement became effective for the Company on January 1, 2006. The adoption of SFAS No. 123R did not have a material impact on the Company's financial statements.

Marketing and Promotion - The Company charges the costs of marketing, promotion and advertising to expense in the period incurred.

Income Taxes - The Company operates so as to qualify as a REIT under the requirements of the Internal Revenue Code. Requirements for qualification as a REIT include various restrictions on ownership of the Company's stock, requirements concerning distribution of taxable income and certain restrictions on the nature of assets and sources of income. A REIT must distribute at least 90% of its taxable income to its stockholders of which 85% plus any undistributed amounts from the prior year must be distributed within the taxable year in order to avoid the imposition of an excise tax. The remaining balance may extend until timely filing of the Company's tax return in the subsequent taxable year. Qualifying distributions of taxable income are deductible by a REIT in computing taxable income.

The Company's QRS is subject to federal and state income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax base upon the change in tax status. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Earnings Per Share - Basic earnings per share excludes dilution and is computed by dividing net income available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company.

New Accounting Pronouncements - In March 2006, the FASB issued SFAS 156, "Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140." Effective at the beginning of the first quarter of 2006, the Company adopted the newly issued statement and elected the fair value option to subsequently measure its mortgage servicing rights ("MSRs"). Under the fair value option, all changes in the fair value of MSRs are reported in the statement of operations. The initial implementation of SFAS 156 did not have a material impact on the Company's financial statements.

In May 2005, the FASB issued SFAS 154, "Accounting Changes and Error Corrections." SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle. Previous guidance required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the

period-specific effects or the cumulative effect of the change. Management believes SFAS 154 will have no impact on the Company's financial statements.

In February 2006, the FASB issued SFAS 155, "Accounting for Certain Hybrid Financial Instruments". Key provisions of SFAS 155 include: (1) a broad fair value measurement option for certain hybrid financial instruments that contain an embedded derivative that would otherwise require bifurcation; (2) clarification that only the simplest separations of interest payments and principal payments qualify for the exception afforded to interest-only strips and principal-only strips from derivative accounting under paragraph 14 of FAS 133 (thereby narrowing such exception); (3) a requirement that beneficial interests in securitized financial assets be analyzed to determine whether they are freestanding derivatives or whether they are hybrid instruments that contain embedded derivatives requiring bifurcation; (4) clarification that concentrations of credit risk in the form of subordination are not embedded derivatives; and (5) elimination of the prohibition on a QSPE holding passive derivative financial instruments that pertain to beneficial interests that are or contain a derivative financial instrument. In general, these changes will reduce the operational complexity associated with bifurcating embedded derivatives, and increase the number of beneficial interests in securitization transactions, including interest-only strips and principal-only strips, required to be accounted for in accordance with FAS 133. Management does not believe that SFAS 155 will have a material effect on the financial condition, results of operations, or liquidity of the Company.

2. Investment Securities Available For Sale

Investment securities available for sale consist of the following as of March 31, 2006 and December 31, 2005 (dollar amounts in thousands):

	March 31, 2006	December 31, 2005
Amortized cost	\$ 493,045	\$ 720,583
Gross unrealized gains	19	1
Gross unrealized losses	(7,581)	(4,102)
Fair value	\$ 485,483	\$ 716,482

The amortized cost balance at December 31, 2005 included approximately \$388.3 million of certain lower-yielding mortgage (with rate resets of less than two years) agency securities that the Company had concluded it no longer had the intent to hold until their values recovered. Upon such determination, the Company recorded an unrealized impairment loss of \$7.4 million for the three months ended December 31, 2005. For the three months ended March 31, 2006, all of such designated securities were sold at an additional loss of \$1.0 million.

None of the remaining securities with unrealized losses have been deemed to be other-than-temporarily impaired. The Company has the intent and believes it has the ability to hold such investment securities until recovery of their amortized cost. Substantially all of the Company's investment securities available for sale are pledged as collateral for borrowings under financing arrangements (Note 9).

The following table sets forth the stated reset periods and weighted average yields of our investment securities at March 31, 2006 (dollar amounts in thousands):

	Less than 6 Months		More than 6 Months To 24 Months		More than 24 Months To 60 Months		Total	
	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield
Agency REMIC								
CMO Floating Rate	\$ 125,928	6.14%	\$ —	—	\$ —	—	\$ 125,928	6.14%
Private Label ARMs	3,981	5.67%	58,513	5.91%	297,061	5.87%	359,555	5.88%
Total	\$ 129,909	6.12%	\$ 58,513	5.91%	\$ 297,061	5.87%	\$ 485,483	5.94%

The following table sets forth the stated reset periods and weighted average yields of our investment securities at December 31, 2005 (dollar amounts in thousands):

	Less than 6 Months		More than 6 Months To 24 Months		More than 24 Months To 60 Months		Total	
	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield
Agency REMIC								
CMO Floating Rate	\$ 13,535	5.45%	\$ —	—	\$ —	—	\$ 13,535	5.45%

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FHLMC Agency ARMs	—	—	91,217	3.82%	—	—	91,217	3.82%
FNMA Agency ARMs	—	—	297,048	3.91%	—	—	297,048	3.91%
Private Label ARMs	—	—	57,605	4.22%	257,077	4.57%	314,682	4.51%
Total	\$ 13,535	5.45%	\$ 445,870	3.93%	\$ 257,077	4.57%	\$ 716,482	4.19%

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The following table presents the Company's investment securities available for sale in an unrealized loss position, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2006 and December 31, 2005:

	Less than 12 Months		March 31, 2006 12 Months or More		Total	
	Fair	Gross	Fair	Gross	Fair	Gross
	Value	Unrealized	Value	Unrealized	Value	Unrealized
		Losses		Losses		Losses
Agency REMIC CMO						
Floating Rate	\$ 56,987	\$ 115	\$ 2,040	\$ 5	\$ 59,027	\$ 120
Private Label ARMs	82,899	880	255,715	6,581	338,614	7,461
Total	\$ 139,886	\$ 995	\$ 257,755	\$ 6,586	\$ 397,641	\$ 7,581

	Less than 12 Months		December 31, 2005 12 Months or More		Total	
	Fair	Gross	Fair	Gross	Fair	Gross
	Value	Unrealized	Value	Unrealized	Value	Unrealized
		Losses		Losses		Losses
Agency REMIC CMO						
Floating Rate	\$ 11,761	\$ 19	\$ —	\$ —	\$ 11,761	\$ 19
Private Label ARMs	48,642	203	270,124	3,880	318,766	4,083
Total	\$ 60,403	\$ 222	\$ 270,124	\$ 3,880	\$ 330,527	\$ 4,102

3. Mortgage Loans Held For Sale

Mortgage loans held for sale consist of the following as of March 31, 2006 and December 31, 2005 (dollar amounts in thousands):

	March 31, 2006	December 31, 2005
Mortgage loans principal amount	\$ 114,064	\$ 108,244
Deferred origination costs - net	190	27
Mortgage loans held for sale	\$ 114,254	\$ 108,271

Substantially all of the Company's mortgage loans held for sale are pledged as collateral for borrowings under financing arrangements (Note 10).

4. Mortgage Loans Held in Securitization Trusts

Mortgage loans held in securitization trusts consist of the following as of March 31, 2006 and December 31, 2005 (dollar amounts in thousands):

	March 31, 2006	December 31, 2005
Mortgage loans principal amount	\$ 735,625	\$ 771,451

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Deferred origination costs - net		4,921		5,159
Total mortgage loans held in securitization trusts	\$	740,546	\$	776,610

Substantially all of the Company's mortgage loans held in securitization trusts are pledged as collateral for borrowings under financing arrangements (Note 9) or for the collateralized debt obligation (Note 11).

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As of March 31, 2006, we had seven delinquent loans totaling \$3.6 million categorized as mortgage loans held in securitization trusts. The table below shows delinquencies in our loan portfolio as of March 31, 2006 (dollar amounts in thousands):

Days Late	Number of Delinquent Loans	Total Dollar Amount	% of Loan Portfolio
30-60	3	\$ 1,774.8	0.24%
61-90	1	74.3	0.01%
90+	3	\$ 1,771.0	0.24%

As of December 31, 2005, we had four delinquent loans totaling \$2.0 million categorized as Mortgage loans held in securitization trusts. The table below shows delinquencies in our loan portfolio as of December 31, 2005 (dollar amounts in thousands):

Days Late	Number of Delinquent Loans	Total Dollar Amount	% of Loan Portfolio
30-60	1	\$ 193.1	0.02%
61-90	—	—	—
90+	3	\$ 1,771.0	0.23%

5. Mortgage Loans Held For Investment

The Company had no mortgage loans held for investment at March 31, 2006 and at December 31, 2005 mortgage loans held for investment consist of the following (dollar amounts in thousands):

	December 31, 2005
Mortgage loans principal amount	\$ 4,054
Deferred origination costs - net	6
Total mortgage loans held for investment	\$ 4,060

All of the Company's mortgage loans held for investment at December 31, 2005 were sold during the first quarter of 2006, with a loss of \$0.8 million recognized at the time of sale.

Substantially all of the Company's mortgage loans held for investment were pledged as collateral for borrowings under financing arrangements at December 31, 2005 (Note 9).

6. Sale of Mortgage Loans Through Securitization

On March 30, 2006, the Company sold residential mortgage loans to the Trust in a securitization transaction structured as a sale under SFAS 140. In this securitization, the Company retained servicing responsibilities and subordinated interests. The Company receives annual servicing fees of approximately 0.21% of the outstanding balance of mortgage loans and rights to future cash flows arising after the senior investors in the securitization trust have received their stated return. The investors and the securitization trust have no recourse to the Company's other assets. The interests that continue to be held by the Company are subordinate to investor's interests. Their value is subject to credit, prepayment and interest rate risks on the transferred financial assets. The Company recognized a pre-tax loss of \$0.8 million on this securitization of residential mortgage loans.

7. Property and Equipment - Net

Property and equipment consist of the following as of March 31, 2006 and December 31, 2005 (dollar amounts in thousands):

	March 31, 2006	December 31, 2005
Office and computer equipment	\$ 6,795	\$ 6,292
Furniture and fixtures	2,296	2,306
Leasehold improvements	1,531	1,429
Total premises and equipment	10,622	10,027
Less: accumulated depreciation and amortization	(3,612)	(3,145)
Property and equipment - net	\$ 7,010	\$ 6,882

8. Derivative Instruments and Hedging Activities

The Company enters into derivatives to manage its interest rate and market risk exposure associated with its mortgage banking and its mortgage-backed securities investment activities. In the normal course of its mortgage loan origination business, the Company enters into contractual IRLCs to extend credit to finance residential mortgages. To mitigate the effect of the interest rate risk inherent in providing IRLCs from the lock-in date to the funding date of a loan, the Company generally enters into FSLCs. With regard to the Company's mortgage-backed securities investment activities, the Company uses interest rate swaps and caps to mitigate the effects of major interest rate changes on net investment spread.

The following table summarizes the estimated fair value of derivative assets and liabilities as of March 31, 2006 and December 31, 2005 (dollar amounts in thousands):

	March 31, 2006	December 31, 2005
Derivative Assets:		
Interest rate caps	\$ 4,162	\$ 3,340
Interest rate swaps	6,043	6,383
Interest rate lock commitments - loan commitments	—	123
Forward loan sale contracts - loan commitments	108	—
Forward loan sale contracts - mortgage loans held for sale	93	—
Forward loan sale contracts - TBA securities	335	—
Total derivative assets	\$ 10,741	\$ 9,846
Derivative Liabilities:		
Forward loan sale contracts - loan commitments	—	(38)
Forward loan sale contracts - mortgage loans held for sale	—	(18)
Forward loan sale contracts - TBA securities	—	(324)
Interest rate lock commitments - loan commitments	(352)	—
Interest rate lock commitments - mortgage loans held for sale	(233)	(14)
Total derivative liabilities	\$ (585)	\$ (394)

The notional amounts of the Company's interest rate swaps, interest rate caps and forward loan sales contracts as of March 31, 2006 were \$652.0 million, \$1.8 billion and \$182.7 million, respectively.

The notional amounts of the Company's interest rate swaps, interest rate caps and forward loan sales contracts as of December 31, 2005 were \$645.0 million, \$1.9 billion and \$201.8 million, respectively.

The Company estimates that over the next twelve months, approximately \$4.4 million of the net unrealized gains on the interest rate swaps will be reclassified from accumulated OCI into earnings.

9. Financing Arrangements, Portfolio Investments

The Company has entered into repurchase agreements with third party financial institutions to finance its residential mortgage-backed securities and mortgage loans held in the securitization trusts. The repurchase agreements are short-term borrowings that bear interest rates based on a spread to LIBOR, and are secured by the residential mortgage-backed securities and mortgage loans held in the securitization trusts which they finance. At March 31, 2006, the Company had repurchase agreements with an outstanding balance of \$1.1 billion and a weighted average interest rate of 4.80%. As of December 31, 2005, the Company had repurchase agreements with an outstanding balance of \$1.2 billion and a weighted average interest rate of 4.37%. At March 31, 2006 and December 31, 2005 securities and mortgage loans pledged as collateral for repurchase agreements had estimated fair values of \$1.1 billion and \$1.2 billion, respectively. As of March 31, 2006 all of the repurchase agreements will mature within 30 days, with

weighted average days to maturity equal to 17 days. The Company has available to it \$5.6 billion in commitments to provide financings through such arrangements with 23 different counterparties.

The follow table summarizes outstanding repurchase agreement borrowings secured by portfolio investments as of March 31, 2006 and December 31, 2005 (dollars amounts in thousands):

Repurchase Agreements by Counterparty

Counterparty Name	March 31, 2006	December 31, 2005
Barclays Bank	\$ 47,165	\$ —
Citigroup Global Markets Inc.	200,000	200,000
Countrywide Securities Corporation	—	109,632
Credit Suisse First Boston LLC	—	148,131
Deutsche Bank Securities Inc.	80,845	205,233
HSBC	278,365	163,781
J.P. Morgan Securities Inc.	40,355	37,481
Merrill Lynch Government Securities Inc.	150,571	—
WaMu Capital Corp	—	158,457
West LB	259,443	143,784
Total Financing Arrangements, Portfolio Investments	\$ 1,056,744	\$ 1,166,499

10. Financing Arrangements, Mortgage Loans Held for Sale or Investment

Financing arrangements secured by mortgage loans held for sale or for investment consist of the following as of March 31, 2006, and December 31, 2005 (dollar amounts in thousands):

	March 31, 2006	December 31, 2005
\$250 million master repurchase agreement with Greenwich Capital Financial Products, Inc, expiring on December 4, 2006 bearing interest at one-month LIBOR plus spreads from 0.75% to 1.25% depending on collateral (5.44% at March 31, 2006 and 5.137% at December 31, 2005). Principal repayments are required 120 days from the funding date(a)	\$ 392	\$ 81,577
\$200 million master repurchase agreement with CSFB expiring on March 30, 2007 bearing interest at daily LIBOR plus spreads from 0.75% to 2.000% depending on collateral (5.74% at March 31, 2006 and 4.3413% at December 31, 2005). Principal repayments are required 90 days from the funding date.	101,688	143,609
\$300 million master repurchase agreement with Deutsche Bank Structured Products, Inc. expiring on December 13, 2006 bearing interest at 1 month Libor plus spreads from .625% to 1.25% depending on collateral (5.5% at March 31, 2006). Principal payments are due 120 days from the repurchase date.	107,966	
	\$ 210,046	\$ 225,186

- (a) This credit facility, with Greenwich Capital Financial Products, Inc., requires the Company to transfer specific collateral to the lender under repurchase agreements; however, due to the rate of turnover of the collateral by the Company, the counterparty has not taken title to or recorded their interest in any of the collateral transferred. Interest is paid to the counterparty based on the amount of outstanding borrowings and on the terms provided. This facility was renewed on January 6, 2006 and expires December 4, 2007.

The lines of credit are secured by all of the mortgage loans held by the Company, except for the loans held in securitization trusts. The lines contain various covenants pertaining to, among other things, maintenance of certain amounts of net worth, periodic income thresholds and working capital. As of March 31, 2006, the Company was in compliance with all covenants with the exception of the net income covenants on all three facilities and waivers have been obtained from these institutions. As these annual agreements are negotiated for renewal, these covenants may be further modified. The agreements are each renewable annually, but are not committed, meaning that the counterparties to the agreements may withdraw access to the credit facilities at any time.

11. Collateralized Debt Obligations

The Company's CDO is secured by ARM loans pledged as collateral. The ARM loans are recorded as an asset of the Company and the CDO is recorded as the Company's debt. The transaction includes an amortizing interest rate cap contract with a notional amount of \$222.1 million which is held by the trust and recorded as an asset of the Company. The interest rate cap limits the interest rate exposure on these transactions. As of March 31, 2006 and December 31, 2005, we have CDO outstanding of \$220.5 million and \$228.2 million, respectively. As of March 31, 2006 the current weighted average interest rate on this CDOs was 5.07%. The CDO is collateralized by ARM loans with a principal balance of \$227.8 million.

12. Subordinated Debentures

On September 1, 2005 the Company closed a private placement of \$20.0 million of trust preferred securities to Taberna Preferred Funding II, Ltd., a pooled investment vehicle. The securities were issued by NYM Preferred Trust II and are fully guaranteed by the Company with respect to distributions and amounts payable upon liquidation, redemption or repayment. These securities have a fixed interest rate equal to 8.35% up to and including July 30, 2010, at which point the interest rate is converted to a floating rate equal to one-month LIBOR plus 3.95% until maturity. The securities mature on October 30, 2035 and may be called at par by the Company any time after October 30, 2010. In accordance with the guidelines of SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", the issued preferred stock of NYM Preferred Trust II has been classified as subordinated debentures in the liability section of the Company's consolidated balance sheet.

On March 15, 2005 the Company closed a private placement of \$25.0 million of trust preferred securities to Taberna Preferred Funding I, Ltd., a pooled investment vehicle. The securities were issued by NYM Preferred Trust I and are fully guaranteed by the Company with respect to distributions and amounts payable upon liquidation, redemption or repayment. These securities have a floating interest rate equal to three-month LIBOR plus 3.75%, resetting quarterly (8.28% at March 31, 2006). The securities mature on March 15, 2035 and may be called at par by the Company any time after March 15, 2010. NYMC entered into an interest rate cap agreement to limit the maximum interest rate cost of the trust preferred securities to 7.5%. The term of the interest rate cap agreement is five years and resets quarterly in conjunction with the reset periods of the trust preferred securities. The interest rate cap agreement is accounted for as a cash flow hedge transaction in accordance with SFAS No.133. In accordance with the guidelines of SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", the issued preferred stock of NYM Preferred Trust I has been classified as subordinated debentures in the liability section of the Company's consolidated balance sheet.

13. Commitments and Contingencies

Loans Sold to Investors - Generally, the Company is not exposed to significant credit risk on its loans sold to investors. In the normal course of business, the Company is obligated to repurchase loans which do not meet certain terms set by investors. Such loans are then generally repackaged and sold to other investors.

Loans Funding and Delivery Commitments - At March 31, 2006 and December 31, 2005 the Company had commitments to fund loans with agreed-upon rates totaling \$262.9 million and \$238.4 million, respectively. The Company hedges the interest rate risk of such commitments and the recorded mortgage loans held for sale balances primarily with FSLCs, which totaled \$182.7 million and \$201.8 million at March 31, 2006 and December 31, 2005, respectively. The remaining commitments to fund loans with agreed-upon rates are anticipated to be sold through optional delivery contract investor programs. The Company does not anticipate any material losses from such sales.

Net Worth Requirements - NYMC is required to maintain certain specified levels of minimum net worth to maintain its approved status with FannieMae, Freddie Mac, HUD and other investors. As of May 1, 2006 NYMC is in compliance with all minimum net worth requirements.

Outstanding Litigation - The Company is involved in litigation arising in the normal course of business. Although the amount of any ultimate liability arising from these matters cannot presently be determined, the Company does not anticipate that any such liability will have a material effect on its consolidated financial statements.

Leases - The Company leases its corporate offices and certain retail facilities and equipment under short-term lease agreements expiring at various dates through 2011. All such leases are accounted for as operating leases. Total rental expense for property and equipment amounted to \$1.3 million and \$2.1 million for the three months ended March 31, 2006 and 2005, respectively. In March 2005, the Company entered into a sub-lease for its former headquarters space

at 304 Park Avenue in New York. The sub-lease tenant has contractual terms for less than the Company's remaining contractual obligation. This transaction was completed in late March 2005. Accordingly, during the first quarter of 2005, the Company recognized a charge of \$0.8 million to earnings.

Letters of Credit - NYMC maintains a letter of credit in the amount of \$100,000 in lieu of a cash security deposit for an office lease dated June 1998 for the Company's former headquarters located at 304 Park Avenue South in New York City. The sole beneficiary of this letter of credit is the owner of the building, 304 Park Avenue South LLC. This letter of credit is secured by cash deposited in a bank account maintained at Signature Bank.

Subsequent to the move to a new headquarters location in New York City in July 2003, in lieu of a cash security deposit for the office lease, we entered into an irrevocable transferable letter of credit in the amount of \$313,000 with PricewaterhouseCoopers, LLP (sublandlord), as beneficiary. This letter of credit is secured by cash deposited in a bank account maintained at HSBC bank.

On February 15, 2005, the Company entered into an irrevocable standby letter of credit in an initial amount of \$500,000 with the beneficiary being CCC Atlantic, L.L.C., the landlord of the Company's leased facility at 500 Burton Avenue, Northfield, New Jersey. The letter of credit serves as security for leased office property, initially occupied by employees of our branches doing business as Ivy League Mortgage, L.L.C. The letter of credit is secured by cash held by the Company equal to the initial amount of the letter of credit which will be reduced at each of the first four annual anniversary dates by \$50,000, thereafter to remain at a value of \$250,000 until termination on April 1, 2015. The letter of credit and cash has been reduced to \$450,000 as of March 31, 2006.

14. Related Party Transactions

Steven B. Schnall owns a 48% membership interest and Joseph V. Fierro owns a 12% membership interest in Centurion Abstract, LLC ("Centurion"), which provides title insurance brokerage services for certain title insurance providers. From time to time, NYMC refers its mortgage loan borrowers to Centurion for assistance in obtaining title insurance in connection with their mortgage loans, although the borrowers have no obligation to utilize Centurion's services. When NYMC's borrowers elect to utilize Centurion's services to obtain title insurance, Centurion collects various fees and a portion of the title insurance premium paid by the borrower for its title insurance. Centurion received \$500 in fees and other amounts from NYMC borrowers for the three months ended March 31, 2006. NYMC does not economically benefit from such referrals.

15. Concentrations of Credit Risk

The Company has originated loans predominantly in the eastern United States. Loan concentrations are considered to exist when there are amounts loaned to a multiple number of borrowers with similar characteristics, which would cause their ability to meet contractual obligations to be similarly impacted by economic or other conditions. At March 31, 2006 and December 31, 2005, there were geographic concentrations of credit risk exceeding 5% of the total loan balances within mortgage loans held for sale as follows:

	March 31, 2006	December 31, 2005
California	14.7%	0.0%
New York	13.7%	43.0%
Massachusetts	13.5%	17.8%
Florida	12.2%	9.7%
Illinois	6.3%	1.7%
Connecticut	5.3%	5.7%
New Jersey	3.7%	5.1%

At March 31, 2006 and December 31, 2005, there were geographic concentrations of credit risk exceeding 5% of the total loan balances within mortgage loans held in securitization trusts and mortgage loans held for investment as follows:

	March 31, 2006	December 31, 2005
New York	24.2%	32.7%
Massachusetts	13.9%	19.4%
California	10.1%	14.1%
New Jersey	4.0%	5.8%
Florida	3.9%	5.4%

16.

Fair Value of Financial Instruments

Fair value estimates are made as of a specific point in time based on estimates using market quotes, present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and the judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience, and other factors.

20

Changes in assumptions could significantly affect these estimates and the resulting fair values. Derived fair value estimates cannot be necessarily substantiated by comparison to independent markets and, in many cases, could not be necessarily realized in an immediate sale of the instrument. Also, because of differences in methodologies and assumptions used to estimate fair values, the Company's fair values should not be compared to those of other companies.

Fair value estimates are based on existing financial instruments and do not attempt to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Accordingly, the aggregate fair value amounts presented below do not represent the underlying value of the Company.

The fair value of certain assets and liabilities approximate cost due to their short-term nature, terms of repayment or interest rates associated with the asset or liability. Such assets or liabilities include cash and cash equivalents, escrow deposits, unsettled mortgage loan sales, and financing arrangements. All forward delivery commitments and option contracts to buy securities are to be contractually settled within six months of the balance sheet date.

The following describes the methods and assumptions used by the Company in estimating fair values of other financial instruments:

a. *Investment Securities Available for Sale* - Fair value is generally estimated based on market prices provided by five to seven dealers who make markets in these financial instruments. If the fair value of a security is not reasonably available from a dealer, management estimates the fair value based on characteristics of the security that the Company receives from the issuer and based on available market information.

b. *Mortgage Loans Held for Sale* - Fair value is estimated using the quoted market prices for securities backed by similar types of loans and current investor or dealer commitments to purchase loans.

c. *Mortgage Loans Held for Investment* - Mortgage loans held for investment are recorded at amortized cost. Fair value is estimated using pricing models and taking into consideration the aggregated characteristics of groups of loans such as, but not limited to, collateral type, index, interest rate, margin, length of fixed-rate period, life cap, periodic cap, underwriting standards, age and credit estimated using the quoted market prices for securities backed by similar types of loans.

d. *Mortgage Loans Held in Securitization Trusts* - Mortgage loans held in securitization trusts are recorded at amortized cost. Fair value is estimated using pricing models and taking into consideration the aggregated characteristics of groups of loans such as, but not limited to, collateral type, index, interest rate, margin, length of fixed-rate period, life cap, periodic cap, underwriting standards, age and credit estimated using the quoted market prices for securities backed by similar types of loans.

e. *Interest Rate Lock Commitments* - The fair value of IRLCs is estimated using the fees and rates currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of IRLCs is determined in accordance with SAB 105.

f. *Forward Sale Loan Contracts* - The fair value of these instruments is estimated using current market prices for dealer or investor commitments relative to the Company's existing positions.

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The following tables set forth information about financial instruments, except for those noted above for which the carrying amount approximates fair value (dollar amounts in thousands):

	March 31, 2006		
	Notional Amount	Carrying Amount	Estimated Fair Value
Investment securities available for sale	\$ 493,045	\$ 485,483	\$ 485,483
Mortgage loans held in the securitization trusts	735,626	740,546	737,730
Mortgage loans held for sale	114,064	114,254	114,362
Commitments and contingencies:			
Interest rate lock commitments	262,913	(585)	(585)
Forward loan sales contracts	182,702	536	536
Interest rate swaps	652,000	6,043	6,043
Interest rate caps	1,791,431	4,162	4,162

	December 31, 2005		
	Notional Amount	Carrying Amount	Estimated Fair Value
Investment securities available for sale	\$ 719,701	\$ 716,482	\$ 716,482
Mortgage loans held for investment	4,054	4,060	4,079
Mortgage loans held in the securitization trusts	771,451	776,610	775,311
Mortgage loans held for sale	108,244	108,271	109,252
Commitments and contingencies:			
Interest rate lock commitments - loan commitments	130,320	123	123
Interest rate lock commitments - mortgage loans held for sale	108,109	(14)	(14)
Forward loan sales contracts	201,771	(380)	(380)
Interest rate swaps	645,000	6,383	6,383
Interest rate caps	1,858,860	3,340	3,340

17. Income Taxes

A reconciliation of the statutory income tax provision (benefit) to the effective income tax provision for the periods ended March 31, 2006 and December 31, 2005, is as follows (dollar amounts in thousands).

	March 31, 2006	December 31, 2005
Tax at statutory rate (35%)	\$ (1,649)	\$ (4,861)
Non-taxable REIT income	(668)	(2,038)
Transfer pricing of loans sold to nontaxable parent	11	555
State and local taxes	(608)	(1,731)
Change in tax status		(453)
Miscellaneous	(2)	(21)
Total provision (benefit)	\$ (2,916)	\$ (8,549)

The income tax benefit for the period ended March 31, 2006 is comprised of the following components (dollar amounts in thousands):

	Deferred	Total
Regular tax benefit		
Federal	\$ (2,308)	\$ (2,308)
State	(608)	(608)

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Total tax benefit	\$	(2,916)	\$	(2,916)
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The income tax benefit for the period ended March 31, 2005 is comprised of the following components (dollar amounts in thousands):

	Deferred		Total	
Regular tax benefit				
Federal	\$	(2,133)	\$	(2,133)
State		(557)		(557)
Total tax benefit	\$	(2,690)	\$	(2,690)

The major sources of temporary differences and their deferred tax effect at March 31, 2006 are as follows (dollar amounts in thousands):

Deferred tax asset:	
Net operating loss carry forward	\$ 12,445
Restricted stock, performance shares and stock option expense	252
Rent expense	68
Management compensation	6
Loss on sublease	176
Mark to market adjustments	59
Total deferred tax asset	13,006
Deferred tax liabilities:	
Depreciation	231
Total deferred tax liability	231
Net deferred tax asset	\$ 12,775

The major sources of temporary differences and their deferred tax effect at December 31, 2005 are as follows (dollar amounts in thousands):

Deferred tax asset:	
Net operating loss carry forward	\$ 9,560
Restricted stock, performance shares and stock option expense	125
Rent expense	120
Management compensation	98
Loss on sublease	181
Mark to market adjustments	94
Total deferred tax asset	10,178
Deferred tax liabilities:	
Depreciation	319
Total deferred tax liability	319
Net deferred tax asset	\$ 9,859

The net deferred tax asset is included in prepaid and other assets on the accompanying consolidated balance sheet. Although realization is not assured, management believes it is more likely than not that all the deferred tax assets will be realized. The net operating loss carry forward expires at various intervals between 2012 and 2026.

18. Segment Reporting

The Company operates in two reportable segments:

- *Mortgage Portfolio Management*— long-term investment in high-quality, adjustable-rate mortgage loans and residential mortgage-backed securities; and
- *Mortgage Lending*— mortgage loan originations as conducted by NYMC.

Our mortgage portfolio management segment primarily invests in adjustable-rate FNMA, FHLMC and “AAA”— rated residential mortgage-backed securities and high-quality mortgages that are originated by our mortgage operations or that may be acquired from third parties. The Company’s equity capital and borrowed funds are used to invest in residential mortgage-backed securities, thereby producing net interest income.

The mortgage lending segment originates residential mortgage loans through the Company's taxable REIT subsidiary, NYMC. Loans are originated through NYMC's retail and internet branches and generate gain on sale revenue when the loans are sold to third parties or revenue from brokered loans when the loans are brokered to third parties.

Three Months Ended March 31, 2006
(dollar amounts in thousands)

	Mortgage Portfolio Management Segment	Mortgage Lending Segment	Total
REVENUE:			
Interest income:			
Investment securities and loans held in securitization trusts	\$ 17,584	\$ —	\$ 17,584
Loans held for sale	—	5,042	5,042
Total interest income	17,584	5,042	22,626
Interest expense:			
Investment securities and loans held in securitization trusts	14,079	—	14,079
Loans held for sale	—	3,315	3,315
Subordinated debentures	—	885	885
Total interest expense	14,079	4,200	18,279
Net interest income	3,505	842	4,347
OTHER INCOME (EXPENSE):			
Gain on sales of mortgage loans	—	4,070	4,070
Brokered loan fees	—	2,777	2,777
Loss on sale of current period securitized loans	—	(773)	(773)
Realized loss on investment securities	(969)	—	(969)
Miscellaneous income	—	119	119
Total other income (expense)	(969)	6,193	5,224
EXPENSES:			
Salaries, commissions and benefits	250	6,091	6,341
Brokered loan expenses	—	2,168	2,168
Occupancy and equipment	1	1,325	1,326
Marketing and promotion	8	779	787
Data processing and communication	56	605	661
Office supplies and expenses	14	591	605
Professional fees	94	1,187	1,281
Travel and entertainment	8	174	182
Depreciation and amortization	—	565	565
Other	64	303	367
Total expenses	495	13,788	14,283
INCOME (LOSS) BEFORE INCOME TAX BENEFIT			
	2,041	(6,753)	(4,712)
Income tax benefit	—	2,916	2,916
NET INCOME (LOSS)	\$ 2,041	\$ (3,837)	\$ (1,796)
Segment assets	\$ 1,452,567	\$ 252,209	\$ 1,704,776
Segment equity (deficit)	\$ 96,279	\$ (2,576)	\$ 93,703

Three Months Ended March 31, 2005
(dollar amounts in thousands)

	Mortgage Portfolio Management Segment	Mortgage Lending Segment	Total
REVENUE:			
Interest income:			
Investment securities and loans held in securitization trusts	\$ 12,863	\$ —	\$ 12,863
Loans held for investment	1,661	—	1,661
Loans held for sale	—	2,593	2,593
Total interest income	14,524	2,593	17,117
Interest expense:			
Investment securities and loans held in securitization trusts	8,620	—	8,620
Loans held for investment	1,144	—	1,144
Loans held for sale	—	1,848	1,848
Subordinated debentures	—	78	78
Total interest expense	9,764	1,926	11,690
Net interest income	4,760	667	5,427
OTHER INCOME (EXPENSE):			
Gain on sales of mortgage loans	—	4,321	4,321
Brokered loan fees	—	2,000	2,000
Gain on sale of securities	377	—	377
Miscellaneous income	—	114	114
Total other income (expense)	377	6,435	6,812
EXPENSES:			
Salaries, commissions and benefits	508	6,635	7,143
Brokered loan expenses	—	1,519	1,519
Occupancy and equipment	3	2,132	2,135
Marketing and promotion	53	1,347	1,400
Data processing and communication	9	509	518
Office supplies and expenses	2	571	573
Professional fees	86	658	744
Travel and entertainment	1	214	215
Depreciation and amortization	3	340	343
Other	171	206	377
Total expenses	836	14,131	14,967
INCOME (LOSS) BEFORE INCOME TAX BENEFIT			
	4,301	(7,029)	(2,728)
Income tax benefit	—	2,690	2,690
NET INCOME (LOSS)	\$ 4,301	\$ (4,339)	\$ (38)
Segment assets	\$ 1,619,934	\$ 236,451	\$ 1,856,385
Segment equity	\$ 105,965	\$ 8,693	\$ 114,658

19. Stock Incentive Plan

Pursuant to the 2004 Stock Incentive Plan (the “2004 Plan”), eligible employees, officers and directors were offered the opportunity to acquire shares of the Company’s common stock through the grant of options and the award of restricted stock under the 2004 Plan. In connection with the Plan, the Company also awarded shares of stock to certain of its employees conditioned upon satisfaction of certain performance criteria related to the November 2004 acquisition of Guaranty Residential Lending. The maximum number of options that could be issued under the 2004 Plan was 706,000 shares and the maximum number of restricted stock awards that could be granted under the 2004 Plan was 794,250.

2005 Stock Incentive Plan

At the Annual Meeting of Stockholders held on May 31, 2005, the Company’s stockholders approved the adoption of the Company’s 2005 Stock Incentive Plan (the “2005 Plan”). The 2005 Plan replaces the 2004 Plan, which was terminated on the same date. The 2005 Plan provides that up to 936,111 shares of the Company’s common stock may be issued thereunder. That number of shares represents 711,895 shares of common stock, or (4% of the 17,797,375 shares of common stock outstanding at March 10, 2005), plus 224,216 shares of common stock remaining from the 2004 Plan. The number of shares available for issuance under the 2005 Plan will be increased by (a) 6% of the number of additional shares of the Company’s common stock issued between March 10, 2005 and May 31, 2006 (other than shares issued under the 2004 Plan or 2005 Plan) and (b) the number of shares covered by 2004 Plan awards that are forfeited or terminated after March 10, 2005.

Options

The Company has issued stock options to employees under shares-based compensation plans. The 2004 Plan provides for the exercise price of options to be determined by the Compensation Committee of the Board of Directors (“Compensation Committee”) but not to be less than the fair market value on the date the option is granted. Options expire ten years after the grant date. As of March 31, 2006, 591,500 options have been granted pursuant to the 2004 Plan with a vesting period of two years with a contractual term of 10 years.

The Company accounts for the fair value of its grants in accordance with SFAS No. 123-R. The compensation cost charged against income during the three months ended March 31, 2006 and 2005 was \$4,000 and \$9,188, respectively. As of March 31, 2006, there was \$136,000 of total unrecognized compensation cost related to nonvested share-based compensation awards granted under the stock option plans which is expected to be recognized over a weighted average period of 8.5 years. No cash was received for the exercise of stock options during the three month periods ended March 31, 2006 and March 31, 2005.

A summary of the status of the Company's options as of March 31, 2006 and changes during the three month period then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year, January 1, 2006	541,500	\$ 9.56
Granted	—	\$ —
Forfeited	10,000	9.83
Exercised	—	—
Outstanding as of March 31, 2006	531,500	\$ 9.55
Options exercisable as of March 31, 2006	413,167	\$ 9.48
Weighted-average fair value of options granted during the period	—	\$ N/A

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A summary of the status of the Company's options as of March 31, 2005 and changes during the three month period then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year, January 1, 2005	591,500	\$ 9.58
Granted	—	\$ —
Forfeited	—	—
Exercised	—	—
Outstanding as of March 31, 2005	591,500	\$ 9.58
Options exercisable as of March 31, 2005	314,833	\$ 9.36
Weighted-average fair value of options granted during the period	—	\$ N/A

The following table summarizes information about stock options at March 31, 2006:

Range of Exercise Prices	Options Outstanding			Options Exercisable		Fair Value of Options Granted
	Number Outstanding	Weighted- Average Remaining Contractual Life (Years)	Exercise Price	Number Exercisable	Exercise Price	
\$9.00	176,500	8.2	\$ 9.00	176,500	\$ 9.00	\$ 0.39
\$9.83	355,000	8.7	9.83	236,667	9.83	0.29
Total	531,500	8.5	\$ 9.55	413,167	\$ 9.48	\$ 0.33

The following table summarizes information about stock options at March 31, 2005:

Range of Exercise Prices	Options Outstanding			Options Exercisable		Fair Value of Options Granted
	Number Outstanding	Weighted- Average Remaining Contractual Life (Years)	Exercise Price	Number Exercisable	Exercise Price	
\$9.00	176,500	9.2	\$ 9.00	176,500	\$ 9.00	\$ 0.39
\$9.83	415,000	9.7	9.83	138,333	9.83	0.29
Total	591,500	9.5	\$ 9.58	314,833	\$ 9.35	\$ 0.35

The fair value of each option grant is estimated on the date of grant using the Binomial option-pricing model with the following weighted-average assumptions:

Risk-free interest rate	4.5%
Expected volatility	10%
Expected life	10 years
Expected dividend yield	10.48%

The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant and the expected volatility was based on estimated volatility of the Company's shares for a period equal to the stock option's expected life. The

expected life of options was estimated to be the contractual term of the options.

Restricted Stock

As of March 31, 2006, the Company has awarded 555,178 shares of restricted stock under the 2005 Plan, of which 334,120 shares have fully vested. As of March 31, 2006 the remaining shares of restricted stock awarded under the 2004 Plan are subject to vesting periods between 3 and 30 months. During the three months ended March 31, 2006, the Company recognized non-cash compensation expense of \$241,000 relating to the vested portion of restricted stock grants. Dividends are paid on all restricted stock issued, whether those shares are vested or not. In general, unvested restricted stock is forfeited upon the recipient's termination of employment.

A summary of the status of the Company's non-vested restricted stock as of March 31, 2006 and changes during the three month period then ended is presented below:

	Number of Nonvested Restricted Shares	Weighted Average Grant Date Fair Value
Nonvested shares at beginning of year, January 1, 2006	221,058	\$ 9.33
Granted	—	\$ —
Forfeited	—	—
Exercised	—	—
Nonvested shares as of March 31, 2005	221,058	\$ 9.33
Weighted-average fair value of restricted stock granted during the period	—	\$ N/A

A summary of the status of the Company's non-vested restricted stock as of March 31, 2005 and changes during the three month period then ended is presented below:

	Number of Nonvested Restricted Shares	Weighted Average Grant Date Fair Value
Nonvested shares at beginning of year, January 1, 2005	367,803	\$ 9.23
Granted	—	\$ —
Forfeited	—	—
Exercised	—	—
Nonvested shares as of March 31, 2005	367,803	\$ 9.23
Weighted-average fair value of restricted stock granted during the period	—	\$ N/A

Performance Based Stock Awards

In November 2004, the Company acquired 15 full-service and 26 satellite retail mortgage banking offices located in the Northeast and Mid-Atlantic states from General Residential Lending, Inc. ("GRL"). Pursuant to that transaction, the Company has committed to award 236,256 shares of the Company's stock to certain employees of those branches. Of these committed shares, 206,256 were performance based stock awards granted upon attainment of predetermined production levels and 30,653 were restricted stock awards. As of March 31, 2006, the awards range in vesting periods from 3 to 12 months with a share price set at the December 2, 2004 grant date market value of \$9.83 per share. During the three months ended March 31, 2006, the Company recognized non-cash compensation expense of \$23,700 relating to performance based stock awards. Unvested issued performance share awards have no voting rights and do not earn

dividends.

A summary of the status of the Company's non-vested performance based stock awards as of March 31, 2006 and changes during the three month period then ended is presented below:

	Number of Nonvested Performance Shares	Weighted Average Grant Date Fair Value
Nonvested shares at beginning of year, January 1, 2006	61,078	\$ 9.83
Granted	—	\$ —
Forfeited	5,555	9.83
Exercised	775	—
Nonvested shares as of March 31, 2005	54,748	\$ 9.83
Weighted-average fair value of performance stock granted during the period	—	\$ N/A

A summary of the status of the Company's non-vested performance based stock awards as of March 31, 2005 and changes during the three month period then ended is presented below:

	Number of Nonvested Performance Shares	Weighted Average Grant Date Fair Value
Nonvested shares at beginning of year, January 1, 2005	206,256	\$ 9.83
Granted	—	\$ —
Forfeited	2,077	—
Exercised	—	—
Nonvested shares as of March 31, 2005	204,179	\$ 9.83
Weighted-average fair value of performance stock granted during the period	—	\$ N/A

20.

Subsequent Events

On May 1, 2006, NYMT made an equity contribution to NYMC totaling \$4.9 million. This contribution resulted in a Net Worth in NYMC above the \$1.0 million minimum net worth required by HUD

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain forward-looking statements. Forward looking statements are those which are not historical in nature. They can often be identified by their inclusion of words such as "will," "anticipate," "estimate," "should," "expect," "believe," "intend" and similar expressions. Any projection of revenues, earnings, losses, capital expenditures, distributions, capital structure or other financial terms is a forward-looking statement. Certain statements regarding the following particularly are forward-looking in nature:

- our business strategy;
- future performance, developments, market forecasts or projected dividends;
- projected acquisitions or joint ventures; and
- projected capital expenditures.

It is important to note that the description of our business in general and our investment in mortgage loans and mortgage-backed securities holdings in particular, is a statement about our operations as of a specific point in time. It is not meant to be construed as an investment policy, and the types of assets we hold, the amount of leverage we use, the liabilities we incur and other characteristics of our assets and liabilities are subject to reevaluation and change without notice.

Our forward-looking statements are based upon our management's beliefs, assumptions and expectations of our future operations and economic performance, taking into account the information currently available to us. Forward-looking statements involve risks and uncertainties, some of which are not currently known to us and that might cause our actual results, performance or financial condition to be materially different from the expectations of future results, performance or financial condition we express or imply in any forward-looking statements. Some of the important factors that could cause our actual results, performance or financial condition to differ materially from expectations are:

- our limited operating history with respect to our portfolio strategy;
- our proposed portfolio strategy may be changed or modified by our management without advance notice to stockholders, and that we may suffer losses as a result of such modifications or changes;
- impacts of a change in demand for mortgage loans on our net income and cash available for distribution;

- our ability to originate prime and high-quality adjustable-rate and hybrid mortgage loans for our portfolio;
- risks associated with the use of leverage;
- interest rate mismatches between our mortgage-backed securities and our borrowings used to fund such purchases;
- changes in interest rates and mortgage prepayment rates;
- effects of interest rate caps on our adjustable-rate mortgage-backed securities;
- the degree to which our hedging strategies may or may not protect us from interest rate volatility;
- potential impacts of our leveraging policies on our net income and cash available for distribution;
- our board's ability to change our operating policies and strategies without notice to you or stockholder approval;
- the other important factors identified, or incorporated by reference into this report, including, but not limited to those under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures about Market Risk", and those described under the caption "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10-K filed March 16, 2006.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the events described by our forward-looking events might not occur. We qualify any and all of our forward-looking statements by these cautionary factors. In addition, you should carefully review the risk factors described in other documents we file from time to time with the Securities and Exchange Commission.

This Quarterly Report on Form 10-Q contains market data, industry statistics and other data that have been obtained from, or compiled from, information made available by third parties. We have not independently verified their data.

General

New York Mortgage Trust, Inc. ("NYMT," the "Company," "we," "our" and "us"), a real estate investment trust ("REIT" for federal income tax purposes), is engaged in the origination of and investment in residential mortgage loans throughout the United States. The Company, through its wholly owned taxable REIT subsidiary, The New York Mortgage Company, LLC ("NYMC"), originates a broad spectrum of residential loan products with a focus on high credit quality, or prime loans. In addition to prime loans, NYMC also originates jumbo loans, alternative-A loans, sub-prime loans and home equity or second mortgage loans through its retail and wholesale origination branch network. The Company's mortgage investment portfolio is comprised of securitized, high credit quality, adjustable and hybrid ARM loans, the majority of which it expects, over time, will be originated by NYMC. NYMC, which originates residential mortgage loans through a network of 27 full-service loan origination locations and 26 satellite loan origination locations, is presently licensed or authorized to do business in 44 states and the District of Columbia.

Strategic Overview

We are considered an "active" mortgage REIT in that NYMC, our taxable REIT subsidiary, originates loans that may either be held in portfolio, aggregated and subsequently securitized for long-term investment or sold to third parties

for gain on sale revenue. When we aggregate and securitize residential mortgage loans for investment, the leveraged portfolio is comprised largely of prime adjustable-rate mortgage loans that we originate or obtain from third parties and that meet our investment objectives and portfolio requirements, including adjustable-rate loans that have an initial fixed-rate period, which we refer to as hybrid mortgage loans. We believe that our ability to originate mortgage loans as the basis for our portfolio will enable us to build a portfolio that generates a higher return than the returns realized by “passive” mortgage investors that do not have their own origination capabilities, because the cost to originate and retain such mortgage loans for securitization is generally less than the premiums paid to purchase similar assets from third parties. Our portfolio loans are held at the REIT level or New York Mortgage Funding, LLC (“NYMF”), our qualified REIT subsidiary (“QRS”).

NYMC also originates and sells loans to third parties for gain on sale revenue rather than aggregating lower cost assets, depending on market conditions. We also, depending on market conditions, retain in our portfolio selected adjustable-rate and hybrid mortgage loans that we originate. Generally, we sell to third parties the fixed-rate loans and any adjustable-rate and hybrid mortgage loans that we originate that do not meet our investment criteria or portfolio requirements. We rely on our own underwriting criteria with respect to the mortgage loans we retain and rely on the underwriting criteria of the institutions to which we sell our loans with respect to the loans we sell. We believe our ability to originate and sell loans for gain on sale revenue is another advantage of being an active mortgage REIT.

We earn net interest income from purchased residential mortgage-backed securities and adjustable-rate mortgage loans and securities originated through NYMC. We have acquired and will seek to acquire additional assets that will produce competitive returns, taking into consideration the amount and nature of the anticipated returns from the investment, our ability to pledge the investment for secured, collateralized borrowings and the costs associated with originating, financing, managing, securitizing and reserving for these investments.

Funding Diversification. We strive to maintain and achieve a balanced and diverse funding mix to finance our investment assets and portfolio. As of March 31, 2006, we have \$0.75 billion of commitments under our secured warehouse lines of credit, and up to \$5.6 billion to provide repurchase agreement financing through 23 different counterparties. During 2005, we further diversified our sources of financing with the issuance of \$45 million of trust preferred securities classified as subordinated debentures.

We also securitize mortgage loans through the creation of either collateralized debt obligations (“CDO”) or a real estate mortgage investment conduit (“REMIC”). For the securitizations we create, we may hold either 100% of the resultant securities or only certain subordinated tranches of the securities created (selling higher-rated tranches to third parties). When we hold 100% of the resultant securities, we create an asset with better liquidity and longer-term financing at better rates as opposed to financing whole loans through warehouse lines. When we sell to third parties the higher rated tranches of securities, the securitization eliminates short-term financing risk on those tranches sold to third parties (reducing the asset to liability duration gap, which is the difference between the estimated maturities or lives of our earning assets and related financing facilities) and the mark-to-market pricing risk inherent in financing through repurchase agreements or warehouse lines of credit, thereby the underlying assets are not subject to margin calls.

Risk Management. As a mortgage lender and a manager of mortgage loan investments, we must mitigate key risks inherent in these businesses, principally credit risk and interest rate risk.

High Credit Quality Investment Portfolio. We retain in our portfolio only selected, high-quality loans that we originate or may opportunistically acquire. As a result, our investment portfolio consists of high-quality loans that we have either securitized for our own portfolio or that collateralize our CDO financings. High credit quality creates significant portfolio liquidity and provides for financing opportunities that are generally available on favorable terms. When we retain loans for investment, either whole loans being aggregated for securitization or CDOs in which we retain all resultant securities or below A-rated tranches, we retain the risk of potential credit losses relative to the agency or higher rated securities we may purchase from time-to-time. Since commencing our portfolio investment operations, we have not experienced any credit losses in our portfolio.

We believe that our credit performance is reflective of the high credit quality of the loans we originate or acquire for securitization, our prudent in-house underwriting, property valuation methods and review, our overall investment policies and prudent management of our delinquent loan portfolio. We believe that our delinquencies of 0.49% of the total par balance of our investment portfolio of residential loans at March 31, 2006 reflect strong credit characteristics and the credit culture of our underwriting and investment philosophy. The weighted average seasoning of loans in our investment portfolio of mortgage loans was approximately 12 months at March 31, 2006.

Interest Rate Risk Management. Another primary risk to our investment portfolio of mortgage loans and mortgage-backed securities is interest rate risk. We have a match funding philosophy in which we use hedging

instruments to fix or cap the interest rates on our short-term, CDO and other financing arrangements that finance our investment portfolio of mortgage loans and securities. We hedge our financing costs in an attempt to maintain a net duration gap of less than one year; as of March 31, 2006, our net duration gap was approximately 10 months.

Other Risk Considerations: Our business is affected by a variety of economic and industry factors. Management periodically reviews and assesses these factors and their potential impact on our business. The most significant risk factors management considers while managing the business and which could have a material adverse effect on our financial condition and results of operations are:

- a decline in the market value of our assets due to rising interest rates;
- an adverse impact on our earnings from a decrease in the demand for mortgage loans due to, among other things, a period of rising interest rates;
- our ability to originate prime adjustable-rate and hybrid mortgage loans for our portfolio;
- increasing or decreasing levels of prepayments on the mortgages underlying our mortgage-backed securities;
- our ability to obtain financing to fund and hold mortgage loans prior to their sale or securitization;
- the overall leverage of our portfolio and the ability to obtain financing to leverage our equity;
- the potential for increased borrowing costs and its impact on net income;
- the concentration of our mortgage loans in specific geographic regions;
- our ability to use hedging instruments to mitigate our interest rate and prepayment risks;
- a prolonged economic slow down, a lengthy or severe recession or declining real estate values could harm our operations;
- if our assets are insufficient to meet the collateral requirements of our lenders, we might be compelled to liquidate particular assets at inopportune times and at disadvantageous prices;
- if we are disqualified as a REIT, we will be subject to tax as a regular corporation and face substantial tax liability; and
- compliance with REIT requirements might cause us to forgo otherwise attractive opportunities.

Description of Businesses

Mortgage Lending

Our mortgage lending operations are important to our financial results as they either produce the loans that will ultimately collateralize the mortgage securities that we will hold in our portfolio or provide us the flexibility to sell the loans for gain on sale revenue. We primarily originate prime, first-lien, residential mortgage loans and, to a lesser extent, second lien mortgage loans, home equity lines of credit, and bridge loans. For the three months ended March 31, 2006 and 2005, we originated \$535.9 million and \$426.8 million in mortgage loans for sale to third parties, respectively. We recognized gains on sales of mortgage loans totaling \$4.1 million and \$4.3 million for the three months ended March 31, 2006 and 2005, respectively.

For the three months ended March 31, 2006 and 2005, we retained \$3.1 million and originated and retained \$136.4 million of such loans, respectively. When we retain loans that we originate (directly or those subsequently securitized through a structure that is deemed a financing for GAAP purposes), we are not able to recognize gain on sale revenues (and thus higher GAAP net income) as we would have if such loans were sold to third parties. Instead, the value of the gain on sale revenue benefits of our investment portfolio in the form of a lower cost asset and thus incrementally higher yield during the lives of retained loans. We estimate that the foregone premium we would have otherwise received had retained loans been sold to third parties is approximately \$44,500 and \$2.5 million for the three months ended March 31, 2006 and 2005, respectively.

We may also originate high quality, adjustable-rate mortgage loans for securitizations that are structured and deemed as a sale for GAAP purposes. For the three months ended March 31, 2006, we originated \$66.7 million of loans that were subsequently securitized in New York Mortgage Trust 2006-1. Such loans are deemed sold for GAAP purposes and net gain on sale revenues are recognized as if the loans were sold to a third party. No such loans were originated for the three months ended March 31, 2005.

We also sold broker loans to third party mortgage lenders for which we receive a broker fee. For the three months ended March 31, 2006 and 2005, we originated \$183.4 million and \$109.4 million in brokered loans, respectively. We recognized net brokering income totaling \$0.6 million and \$0.5 million during the three months ended March 31, 2006 and 2005, respectively.

NYMC originates all of the mortgage loans we sell or broker and some of the loans that we retain for investment. On mortgages to be sold, we underwrite, process and fund the mortgages originated by NYMC.

Mortgage Portfolio Management

Our mortgage portfolio, consisting primarily of residential mortgage-backed securities and mortgage loans held for investment, currently generates a substantial portion of our earnings. In managing our investment in a mortgage portfolio, we:

- invest in assets generated from our self-origination of high-credit quality, single-family, residential mortgage loans;
- invest in mortgage-backed securities originated by others, including ARM securities and collateralized mortgage obligation floaters (“CMO Floaters”);
- generally operate as a long-term portfolio investor;
- finance our portfolio by entering into repurchase agreements and as we aggregate mortgage loans for investment, issuing mortgage-backed bonds from time to time; and
- generate earnings from the return on our mortgage securities and spread income from our mortgage loan portfolio.

A significant risk to our operations, relating to our portfolio management, is the risk that interest rates on our assets will not adjust at the same times or amounts that rates on our liabilities adjust. Even though we retain and invest in ARMs, many of the hybrid ARM loans in our portfolio have fixed rates of interest for a period of time ranging from two to seven years. Our funding costs are generally not constant or fixed. As a result, we use derivative instruments (interest rate swaps and interest rate caps) to mitigate, but not eliminate, the risk of our cost of funding increasing or decreasing at a faster rate than the interest on our investment assets.

Known Material Trends and Commentary

According to the March 13, 2006 Mortgage Finance Forecast of the Mortgage Bankers Association (“MBA”), the MBA estimated that lenders originated \$2.8 trillion in mortgage loans in 2005. In the March 13, 2006 forecast, the MBA projects that mortgage loan volumes will decrease to \$2.2 trillion in 2006 due to a less than expected increase in mortgage rates.

Total U.S. 1-to-4-Family Mortgage Originations	2005	2006 Forecast		Forecasted Percentage Change
		(dollar amounts in billions)		
Purchase mortgages	\$ 1,486	\$	1,432	(3.6)%
Refinancings	1,290		811	(37.1)%
Total	\$ 2,776	\$	2,243	(19.2)%

Source: March 13, 2006 Mortgage Finance Forecast of the MBA

The following table summarizes the Company’s loan origination volume and characteristics for the three months ended March 31, 2006 relative to our prior year historical origination production. For the three months ended March 31, 2006, our total loan originations decreased 9.9% over the comparable period for 2005. This decrease contrasts favorably with the decrease forecasted in the March 13, 2006 Mortgage Finance Forecast of the MBA, which estimates an industry decrease for the period of 20.3% for total originations:

Our Total Mortgage Originations

	NYMC Total Mortgage Originations		Percentage Change From Prior Year
	2005	2006	
	(dollar amounts in millions)		
1st Quarter	\$ 672.5	\$ 605.6	(9.9)%
2nd Quarter	939.7		
3rd Quarter	1,002.2		
4th Quarter	822.9		
Full Year	\$ 3,437.3		

With regard to purchase mortgage originations, statistics from the MBA since 1990 indicate that the volume of purchase mortgages year-after-year steadily increases throughout various economic and interest rate cycles. While management is unable to predict borrowing habits, we believe that historical trends indicate that the purchase mortgage market is relatively stable. For the three months ended March 31, 2006, our purchase mortgage originations have decreased by \$21.9 million or 5.7% over the comparable period for the prior year. This decrease compares unfavorably to the 1.7% increase forecasted by the March 13, 2006 Mortgage Finance Forecast of the MBA for total

U.S. 1-to-4-family purchase mortgage originations for the period.

30

Our Total Purchase Mortgage Originations
NYMC Total Purchase
Mortgage
Originations

	2005		2006	Percentage Change From Prior Year	
	(dollar amounts in millions)				
1st Quarter	\$	381.0	\$	359.1	(5.7)%
2nd Quarter		601.7			
3rd Quarter		569.8			
4th Quarter		433.0			
Full Year	\$	1,985.5			

For the three months ended March 31, 2006, our originations of mortgage refinancings have decreased by \$45.0 million or 15.4% versus the comparable period for the prior year. This 15.4% decrease in our origination of mortgage refinancings compares favorably to the 39.8% decrease for total U.S. 1-to-4-family refinance mortgage originations for the period estimated in the March 13, 2006 Mortgage Finance Forecast of the MBA.

Our Total Refinance Mortgage Originations

NYMC Total Refinance
Mortgage
Originations

Originations				Percentage Change From Prior Year
		2005 (dollar amounts in millions)	2006	
1st Quarter	\$	291.5	\$ 246.5	(15.4)%
2nd Quarter		338.0		
3rd Quarter		432.4		
4th Quarter		389.9		
Full Year	\$	1,451.8		

In the March 13, 2006 forecast, the MBA projected that mortgage loan volumes will decrease to \$2.2 trillion in 2006, primarily due to an expected continued decline in the volume of loan refinancings. We believe that our concentration on purchase loan originations, which for the three months ended March 31, 2006 represents 59.3% of NYMC's total residential mortgage loan originations as measured by principal balance, has caused our loan origination volume to be less susceptible to the industry-wide decline in origination volume that has resulted from rising interest rates. We believe that the market for mortgage loans for home purchases is less susceptible than the refinance market to downturns during periods of increasing interest rates, because borrowers seeking to purchase a home do not generally base their decision to purchase on changes in interest rates alone, while borrowers that refinance their mortgage loans often make their decision as a direct result of changes in interest rates. Consequently, while our referral-based marketing strategy may cause our overall loan origination volume during periods of declining interest rates to lag our competitors who rely on mass marketing and advertising and who therefore capture a greater percentage of loan refinance applications during those periods, we believe this strategy generally enables us to sustain stronger home purchase loan origination volumes than those same competitors during periods of flat to rising interest rates. In addition, we believe that our referral-based business results in relatively higher gross margins and lower advertising

costs and loan generation expenses than most other mortgage companies whose business is not referral-based.

During the three months ended March 31, 2006, the yield curve has remained relatively flat and may, during the course of the year, remain flat or further flatten. The flattening of the yield curve is driven by increasing short-term interest rates without a corresponding increase in long-term interest rates. If the yield curve continues to flatten, this will likely cause higher warehouse borrowing costs for our mortgage banking operations as well as additional compression in our net interest margin at the REIT.

Liquidity. We depend on the capital markets to finance the mortgage loans we originate. In the short-term, we finance our mortgage loans using “warehouse” lines of credit and “aggregation” lines provided by commercial and investment banks. As we execute our business plan of securitizing self-originated or purchased mortgage loans, we have issued bonds from our loan securitizations and will own such bonds although we may sell the bonds to large, institutional investors at some point in the future. These bonds and some of our mortgage loans may be financed with repurchase agreements with well capitalized commercial and investment banks. Commercial and investment banks have provided significant liquidity to finance our operations through these various financing facilities. While management cannot predict the future liquidity environment, we are currently unaware of any material reason to prevent continued liquidity support in the capital markets for our business. See “Liquidity and Capital Resources” below for further discussion of liquidity risks and resources available to us.

Significance of Estimates and Critical Accounting Policies

We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America, or GAAP, many of which require the use of estimates, judgments and assumptions that affect reported amounts. These estimates are based, in part, on our judgment and assumptions regarding various economic conditions that we believe are reasonable based on facts and circumstances existing at the time of reporting. The results of these estimates affect reported amounts of assets, liabilities and accumulated other comprehensive income at the date of the consolidated financial statements and the reported amounts of income, expenses and other comprehensive income during the periods presented.

Changes in the estimates and assumptions could have a material effect on these financial statements. Accounting policies and estimates related to specific components of our consolidated financial statements are disclosed in the notes to our financial statements. In accordance with SEC guidance, those material accounting policies and estimates that we believe are most critical to an investor's understanding of our financial results and condition and which require complex management judgment are discussed below.

Revenue Recognition. Interest income on our residential mortgage loans and mortgage-backed securities is a combination of the interest earned based on the outstanding principal balance of the underlying loan/security, the contractual terms of the assets and the amortization of yield adjustments, principally premiums and discounts, using generally accepted interest methods. The net GAAP cost over the par balance of self-originated loans held for investment and premium and discount associated with the purchase of mortgage-backed securities and loans are amortized into interest income over the lives of the underlying assets using the effective yield method as adjusted for the effects of estimated prepayments. Estimating prepayments and the remaining term of our interest yield investments require management judgment, which involves, among other things, consideration of possible future interest rate environments and an estimate of how borrowers will react to those environments, historical trends and performance. The actual prepayment speed and actual lives could be more or less than the amount estimated by management at the time of origination or purchase of the assets or at each financial reporting period.

Fair Value. Generally, the financial instruments we utilize are widely traded and there is a ready and liquid market in which these financial instruments are traded. The fair values for such financial instruments are generally based on market prices provided by five to seven dealers who make markets in these financial instruments. If the fair value of a financial instrument is not reasonably available from a dealer, management estimates the fair value based on characteristics of the security that the Company receives from the issuer and on available market information.

In the normal course of our mortgage loan origination business, we enter into contractual interest rate lock commitments, or ("IRLCs"), to extend credit to finance residential mortgages. Mark-to-market adjustments on IRLCs are recorded from the inception of the interest rate lock through the date the underlying loan is funded. The fair value of the IRLCs is determined by an estimate of the ultimate gain on sale of the loans net of estimated net costs to originate the loan. To mitigate the effect of the interest rate risk inherent in issuing an IRLC from the lock-in date to the funding date of a loan, we generally enter into forward sale loan contracts, or ("FSLCs"). Since the FSLCs are committed prior to mortgage loan funding and thus there is no owned asset to hedge, the FSLCs in place prior to the funding of a loan are undesignated derivatives under SFAS No. 133 and are marked to market with changes in fair value recorded to current earnings.

Impairment of and Basis Adjustments on Securitized Financial Assets. As previously described herein, we regularly securitize our mortgage loans and retain the beneficial interests created. In addition, we may purchase such beneficial interests from third parties. Such assets are evaluated for impairment on a quarterly basis or, if events or changes in circumstances indicate that these assets or the underlying collateral may be impaired, on a more frequent basis. We evaluate whether these assets are considered impaired, whether the impairment is other-than-temporary and, if the impairment is other-than-temporary, recognize an impairment loss equal to the difference between the asset's amortized cost basis and its fair value. These evaluations require management to make estimates and judgments based on changes in market interest rates, credit ratings, credit and delinquency data and other information to determine whether unrealized losses are reflective of credit deterioration and our ability and intent to hold the investment to maturity or recovery. This other-than-temporary impairment analysis requires significant management judgment and we deem this to be a critical accounting estimate. We recorded an impairment loss of \$7.4 million during 2005, because we concluded that we no longer had the intent to hold certain lower-yielding mortgage-backed securities until their values recovered. During the quarter ended March 31, 2006 these securities were sold and we incurred an additional loss of approximately \$1.0 million.

Loan Loss Reserves on Mortgage Loans. We evaluate a reserve for loan losses based on management's judgment and estimate of credit losses inherent in our portfolio of residential mortgage loans held for sale and mortgage loans held

in securitization trusts. The estimation involves the consideration of various credit-related factors including, but not limited to, current economic conditions, the credit diversification of the portfolio, loan-to-value ratios, delinquency status, historical credit losses, purchased mortgage insurance and other factors deemed to warrant consideration. If the credit performance of our mortgage loans held for investment or held in the securitization trusts deviates from expectations, the allowance for loan losses is adjusted to a level deemed appropriate by management to provide for estimated probable losses in the portfolio. Two critical assumptions used in estimating the loan loss reserve are frequency and severity. Frequency is the assumed rate of default or the expected rate at which loans may go into foreclosure over the life of the loans. Severity represents the expected rate of realized loss upon disposition/resolution of the collateral that has gone into foreclosure. Based on the performance and credit characteristics of the loan portfolio as of March 31, 2006, management maintained a loan loss reserve of \$12,000.

Securitizations. We create securitization entities as a means of either:

- creating securities backed by mortgage loans which we will continue to hold and finance that will be more liquid than holding whole loan assets; or
- securing long-term collateralized financing for our residential mortgage loan portfolio and matching the income earned on residential mortgage loans with the cost of related liabilities, otherwise referred to as a match funding our balance sheet.

Residential mortgage loans are transferred to a separate bankruptcy-remote legal entity from which private-label multi-class mortgage-backed notes are issued. On a consolidated basis, for securitizations accounted for as secured financings as defined by SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, no gain or loss is recorded in connection with the securitizations. Generally, for securitizations accounted for as a sale, a gain or loss is recorded in connection with the securitization based on the difference between the cost of the securitized assets and related structuring costs to the proceeds realized from the resultant sales of securities.

Each securitization entity is evaluated in accordance with Financial Accounting Standards Board Interpretation, or FIN, 46(R), *Consolidation of Variable Interest Entities*. When we have determined that we are the primary beneficiary of the securitization entities, the securitization entities are consolidated into our consolidated balance sheet subsequent to securitization. Residential mortgage loans transferred to securitization entities collateralize the mortgage-backed notes issued, and, as a result, those investments are not available to us, our creditors or stockholders. All discussions relating to securitizations are on a consolidated basis and do not necessarily reflect the separate legal ownership of the loans by the related bankruptcy-remote legal entity.

Derivative Financial Instruments - The Company has developed risk management programs and processes, which include investments in derivative financial instruments designed to manage market risk associated with its mortgage banking and its mortgage-backed securities investment activities.

All derivative financial instruments are reported as either assets or liabilities in the consolidated balance sheet at fair value. The gains and losses associated with changes in the fair value of derivatives not designated as hedges are reported in current earnings. If the derivative is designated as a fair value hedge and is highly effective in achieving offsetting changes in the fair value of the asset or liability hedged, the recorded value of the hedged item is adjusted by its change in fair value attributable to the hedged risk. If the derivative is designated as a cash flow hedge, the effective portion of change in the fair value of the derivative is recorded in OCI and is recognized in the income statement when the hedged item affects earnings. The Company calculates the effectiveness of these hedges on an ongoing basis, and, to date, has calculated effectiveness of approximately 100% of the hedges. Ineffective portions, if any, of changes in the fair value or cash flow hedges are recognized in earnings.

New Accounting Pronouncements - In March 2006, the FASB issued SFAS 156, "Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140." Effective at the beginning of the first quarter of 2006, the Company adopted the newly issued statement and elected the fair value option to subsequently measure its mortgage servicing rights ("MSRs"). Under the fair value option, all changes in the fair value of MSRs are reported in the statement of operations. The initial implementation of SFAS 156 did not have a material impact on the Company's financial statements.

In May 2005, the FASB issued SFAS 154, "Accounting Changes and Error Corrections." SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle. Previous guidance required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. Management believes SFAS 154 will have no impact on

the Company's financial statements.

In February 2006, the FASB issued SFAS 155, "Accounting for Certain Hybrid Financial Instruments". Key provisions of SFAS 155 include: (1) a broad fair value measurement option for certain hybrid financial instruments that contain an embedded derivative that would otherwise require bifurcation; (2) clarification that only the simplest separations of interest payments and principal payments qualify for the exception afforded to interest-only strips and principal-only strips from derivative accounting under paragraph 14 of FAS 133 (thereby narrowing such exception); (3) a requirement that beneficial interests in securitized financial assets be analyzed to determine whether they are freestanding derivatives or whether they are hybrid instruments that contain embedded derivatives requiring bifurcation; (4) clarification that concentrations of credit risk in the form of subordination are not embedded derivatives; and (5) elimination of the prohibition on a QSPE holding passive derivative financial instruments that pertain to beneficial interests that are or contain a derivative financial instrument. In general, these changes will reduce the operational complexity associated with bifurcating embedded derivatives, and increase the number of beneficial interests in securitization transactions, including interest-only strips and principal-only strips, required to be accounted for in accordance with FAS 133. Management does not believe that SFAS 155 will have a material effect on the financial condition, results of operations, or liquidity of the Company.

Overview of Performance

For the three months ended March 31, 2006, we reported a net loss of \$1.8 million, as compared to a net loss of \$38,000 for the three months ended March 31, 2005. Our revenues were driven largely from interest income on investments in mortgage loans and mortgage securities (our “mortgage portfolio management” segment) and gain on sale income from loan originations sold to third parties (our “mortgage lending” segment) during the period. The change in net income is attributed to a decrease in gain on sale revenues and a decrease in net interest income from our investment portfolio. Net income was further impacted by a \$0.8 million loss on sale of securitized loans and a \$1.0 million realized loss on the sale of impaired investment securities.

Summary of Operations and Key Performance Measurements

For the three months ended March 31, 2006, our net income was dependent upon our mortgage portfolio management operations and the net interest income (interest income on portfolio assets net of the interest expense and hedging costs associated with the financing of such assets) generated from our portfolio of mortgage loans held for investment, mortgage loans held in securitization trusts and residential mortgage-backed securities in our portfolio management segment. The following table presents the components of our net interest income from our investment portfolio of mortgage securities and loans for the three months ended March 31, 2006:

Net Interest Income Components:	Amount (\$ in thousands)	Average Outstanding Balance (\$ in millions)	Effective Rate
Interest Income			
Investment securities and loans held in securitization trusts	\$ 17,940.9	\$ 1,478.6	4.85%
Amortization of premium	(356.9)	—	(0.10)%
Total interest income	\$ 17,584.0	\$ 1,478.6	4.75%
Interest Expense			
Repurchase agreements	\$ 15,976.9	\$ 1,393.8	4.59%
Interest rate swaps and caps	(1,897.9)	—	(0.55)%
Total interest expense	\$ 14,079.0	\$ 1,393.8	4.04%
Net Interest Income	\$ 3,505.0		0.71%

The key performance measures for our portfolio management activities are:

- net interest spread on the portfolio;
- characteristics of the investments and the underlying pool of mortgage loans including but not limited to credit quality, coupon and prepayment rates; and
- return on our mortgage asset investments and the related management of interest rate risk.

For the three months ended March 31, 2006, our net income was also dependent upon our mortgage lending operations and originations from our mortgage lending segment, which includes the mortgage loan sales (“mortgage banking”) and mortgage brokering activities on residential mortgages sold or brokered to third parties. Our mortgage banking activities generate revenues in the form of gains on sales of mortgage loans to third parties and ancillary fee income and interest income from borrowers. Our mortgage brokering operations generate brokering fee revenues from third party buyers. When we retain a portion of our loan originations for our investment portfolio, we do not realize the gain on sale premiums we would have otherwise recognized had these loans been sold to third parties and such loans retained on our balance sheet at cost. As a result, revenues in our mortgage banking segment are lower than if

we sold the loans to third parties and the book value of these assets on our balance sheet, which are accounted for on a cost basis, may differ from their fair market value.

A breakdown of our loan originations for the three months ended March 31, 2006 is as follows:

Description	Number of Loans	Aggregate Principal Balance (\$ in millions)	Percentage of Total Principal	Weighted Average Interest Rate	Average Loan Size
Purchase mortgages	1,669	\$ 359.1	59.3%	6.97%	\$ 215,162
Refinancings	838	246.5	40.7%	6.69%	294,146
Total	2,507	\$ 605.6	100.0%	6.86%	241,569
Adjustable rate or hybrid	923	\$ 287.3	47.4%	6.71%	311,297
Fixed rate	1,584	318.3	52.6%	6.99%	200,439
Total	2,507	\$ 605.6	100.0%	6.86%	241,569
Bankered	1,895	\$ 422.2	69.7%	6.99%	222,821
Brokered	612	183.4	30.3%	5.55%	299,621
Total	2,507	\$ 605.6	100.0%	6.86%	\$ 241,569

The key performance measures for our origination activities are:

- dollar volume of mortgage loans originated;
- relative cost of the loans originated;
- characteristics of the loans, including but not limited to the coupon and credit quality of the loan, which will indicate their expected yield; and
- return on our mortgage asset investments and the related management of interest rate risk.

Management's discussion and analysis of financial condition and results of operations, along with other portions of this report, are designed to provide information regarding our performance and these key performance measures.

Three Months Ended March 31, 2006 Financial Highlights:

- Completion of our fourth securitization totaling \$277.4 million in residential mortgage loans.
- Consolidated net loss totaled \$1.8 million.
- Net income for the Company's Mortgage Portfolio Management segment totaled \$2.0 million.
- Declared a first quarter 2006 cash dividend of \$0.14 per common share payable on April 26, 2006 to stockholders of record as of April 6, 2006.

Financial Condition

Balance Sheet Analysis - Asset Quality

Investment Portfolio Related Assets

Mortgage Loans Held in Securitization Trusts and Mortgage Loans Held for Investment. Our portfolio consists of adjustable-rate mortgage loans that we originated or purchased opportunistically and that met our investment criteria and portfolio requirements. These loans are classified as "mortgage loans held for investment" during a period of aggregation and until the portfolio reaches a size sufficient for us to securitize such loans. Once securitized into sequentially rated classes, the loans are accounted for as secured financings as defined by SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, and are classified as "mortgage loans held in securitization trusts."

At March 31, 2006, we did not have any mortgage loans held for investment due to the New York Mortgage Trust 2006-1 ("NYMT 2006-1") securitization transaction of \$277.4 million of loans which occurred March 30, 2006. As this securitization was accounted for as a sale, any retained securities we own as a result of the securitization are held as an available for sale investment security.

During 2005, we securitized loan investments in three different securitizations:

- New York Mortgage Trust 2005-1 ("NYMT 2005-1"), February 25, 2005; \$419.0 million of loans
- New York Mortgage Trust 2005-2 ("NYMT 2005-2"), July 28, 2005; \$242.9 million of loans
- New York Mortgage Trust 2005-3 ("NYMT 2005-3"), December 20, 2005; \$235.0 million of loans

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The following table details Mortgage Loans Held in Securitization Trusts at March 31, 2006 (dollar amounts in thousands):

Category	Par Value	Coupon	Carrying Value	Yield
Mortgage Loans Held in Securitization Trusts	\$ 735,625	5.24%	\$ 740,546	5.96%

At March 31, 2006, mortgage loans held in securitization trusts totaled \$740.5 million, or 43.4% of total assets. Of this mortgage loan investment portfolio 100% are traditional or hybrid ARMs and 75.4% are ARM loans that are interest only. On our hybrid ARMs, interest rate reset periods are predominately five years or less and the interest-only/amortization period is typically 10 years, which mitigates the “payment shock” at the time of interest rate reset. No loans in our investment portfolio of mortgage loans are option-ARMs or ARMs with negative amortization.

For loans held in securitizations accounted for as a financing, we are exposed to credit risk on the underlying mortgage loans. The same is true for loans in a securitization accounted for as a sale and for which we own the most subordinate class of securities. The following table sets forth the composition of our loans held in securitization trusts as of March 31, 2006.

Characteristics of Our Mortgage Loans Held in Securitization (dollar amounts in thousands):

	# of Loans	Par Value	Carrying Value
Mortgage loans held in securitization trusts	1,538	\$ 735,625	\$ 740,546
Mortgage loans sold in REMIC trusts	503	277,403	—
Total loans with credit risk exposure	2,041	\$ 1,013,028	\$ 740,546

	Average	High	Low
General Loan Characteristics:			
Original Loan Balance	\$ 504	\$ 3,500	\$ 25
Coupon Rate	5.45%	7.75%	3.00%
Gross Margin	2.37%	7.01%	1.13%
Lifetime Cap	11.09%	13.75%	9.00%
Original Term (Months)	360	360	360
Remaining Term (Months)	348	360	316

	Percentage
Arm Loan Type	
Traditional ARMs	3.7%
2/1 Hybrid ARMs	4.0%
3/1 Hybrid ARMs	22.8%
5/1 Hybrid ARMs	67.9%
7/1 Hybrid ARMs	1.6%
Total	100.0%
Percent of ARM loans that are interest only	74.4%
Weighted average length of interest only period	7.7 years

	Percentage
Traditional ARMs - Periodic Caps	
None	58.7%

1%	14.1%
Over 1%	27.2%
Total	100.0%

<i>Hybrid ARMs - Initial Cap</i>	Percentage
3.00% or less	21.3%
3.01%-4.00%	7.5%
4.01%-5.00%	70.1%
5.01%-6.00%	1.1%
Total	100.0%

<i>FICO Scores</i>	Percentage
650 or less	4.1%
651 to 700	18.1%
701 to 750	34.1%
751 to 800	40.0%
801 and over	3.7%
Total	100.0%
Average FICO Score	736

	Percentage
<i>Loan to Value (LTV)</i>	
50% or less	9.4%
50.01%-60.00%	9.2%
60.01%-70.00%	28.3%
70.01%-80.00%	50.9%
80.01% and over	2.2%
Total	100.0%
Average LTV	69.4%

	Percentage
<i>Property Type</i>	
Single Family	54.7%
Condominium	20.9%
Cooperative	7.8%
Planned Unit Development	13.3%
Two to Four Family	3.3%
Total	100.0%

	Percentage
<i>Occupancy Status</i>	
Primary	86.3%
Secondary	9.5%
Investor	4.2%
Total	100.0%

	Percentage
<i>Documentation Type</i>	
Full Documentation	67.0%
Stated Income	22.1%
Stated Income/ Stated Assets	9.2%
No Documentation	1.1%
No Ratio	0.6%
Total	100.0%

	Percentage
<i>Loan Purpose</i>	
Purchase	56.4%

Cash out refinance	25.7%
Rate & term refinance	17.9%
Total	100.0%

	Percentage
Geographic Distribution: 5% or more in any one state	
NY	24.2%
MA	13.9%
CA	10.1%
Other (less than 5% individually)	51.8%
Total	100.0%

Delinquency Status

As of March 31, 2006, we had seven delinquent loans totaling \$3.6 million categorized as mortgage loans held in securitization trusts as compared to four delinquent loans totaling \$2.0 million at December 31, 2005. The table below shows delinquencies in our loan portfolio as of March 31, 2006 (dollar amounts in thousands):

Days Late	Number of Delinquent Loans	Total Dollar Amount	% of Loan Portfolio
30-60	3	\$ 1,774.8	0.24%
61-90	1	74.3	0.01%
90+	3	\$ 1,771.0	0.24%

Interest is recognized as revenue when earned according to the terms of the mortgage loans and when, in the opinion of management, it is collectible. The accrual of interest on loans is discontinued when, in management's opinion, the interest is not collectible in the normal course of business, but in no case beyond when payment on a loan becomes 90 days delinquent. Interest collected on loans for which accrual has been discontinued is recognized as income upon receipt.

We establish an allowance for loan losses based on our estimate of credit losses inherent in the Company's investment portfolio of residential loans held for investment. Our portfolio of mortgage loans held for investment is collectively evaluated for impairment as the loans are homogeneous in nature. The allowance is based upon management's assessment of various factors affecting our mortgage loan portfolio, including current economic conditions, the makeup of the portfolio based on credit grade, loan-to-value ratios, delinquency status, historical credit losses, purchased mortgage insurance and other factors that management believes warrant consideration. The allowance is maintained through ongoing provisions charged to operating income and is reduced by loans that are charged off. Determining the allowance for loan losses is subjective in nature due to the estimation required and the potential for imprecision. As of March 31, 2006 and December 31, 2005 our allowance for loan losses totaled \$12,000.

Investment Securities - Available for Sale. Our securities portfolio consists of agency securities or AAA-rated residential mortgage-backed securities. At March 31, 2006, we had no investment securities in a single issuer or entity (other than a government sponsored agency of the U.S. Government) that had an aggregate book value in excess of 10% of our total assets. The following table sets forth the credit characteristics of our securities portfolio as of March 31, 2006.

Characteristics of Our Investment Securities (dollar amounts in thousands):

Credit	Sponsor or Rating	Par Value	Carrying Value	% of Portfolio	Coupon	Yield
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Agency REMIC							
Floating	FNMA/FHLMC/GNMA	\$ 125,754	\$ 125,928	26%	6.13%	6.14%	
Private Label Floaters	AAA	3,981	3,981	1%	5.47%	5.67%	
Private Label ARMs	AAA	334,077	329,901	68%	4.83%	5.77%	
NYMT Retained							
Securities	AAA-BBB	23,769	23,624	5%	5.67%	6.18%	
NYMT Retained							
Securities	Below Investment Grade	2,774	2,049	0%	5.68%	16.62%	
Total/Weighted							
Average		\$ 490,355	\$ 485,483	100%	5.21%	5.94%	

38

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The following table sets forth the interest rate repricing characteristics of our securities portfolio as of March 31, 2006 (dollar amounts in thousands):

Interest Rate Repricing	Carrying Value	% of Portfolio	Weighted Average Coupon
< 6 Months	\$ 129,909	27%	6.11%
< 24 Months	58,513	12%	4.90%
< 60 Months	297,061	61%	4.89%
Total	\$ 485,483	100%	5.21%

The following table sets forth the stated reset periods and weighted average yields of our investment securities at March 31, 2006 (dollar amounts in thousands):

	Less than 6 Months		More than 6 Months To 24 Months		More than 24 Months To 60 Months		Total	
	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield
Agency REMIC								
Floaters	\$ 125,928	6.14%	\$ —		\$ —		\$ 125,928	6.14%
Private Label								
Floaters	3,981	5.67%	—		—		3,981	5.67%
Private Label								
ARMs	—		51,737	5.89%	278,164	5.75%	329,901	5.77%
NYMT Retained								
Securities	—		6,776	5.65%	18,897	7.69%	25,673	7.17%
Total	\$ 129,909	6.12%	\$ 58,513	5.86%	\$ 297,061	5.87%	\$ 485,483	5.94%

Mortgage Lending Related Assets

Mortgage Loans Held for Sale. Mortgage loans that we have originated but do not intend to hold for investment and are held pending sale to investors are classified as “mortgage loans held for sale.” We had mortgage loans held for sale of \$114.3 million at March 31, 2006 as compared to \$108.3 million at December 31, 2005. We use warehouse lines of credit and loan aggregation facilities to finance our mortgage loans held for sale. Fluctuations in mortgage loans held for sale, warehouse lines of credit, due to/from loan purchasers and related accounts are dependent on factors such as loan production, seasonality and our investor’s ability to purchase loans on a timely basis.

Due from Purchasers. We had amounts due from loan purchasers totaling \$101.2 million at March 31, 2006 as compared to \$121.8 million at December 31, 2005. Amounts due from loan purchasers are a receivable for the principal and premium due to us for loans that have been shipped but for which payment has not yet been received at period end.

Escrow Deposits - Pending Loan Closings. We had escrow deposits pending loan closing of \$2.9 million at March 31, 2006 as compared to \$1.4 million at December 31, 2005. Escrow deposits pending loan closings are advance cash fundings by us to escrow agents to be used to close loans within the next one to three business days.

Non-Loan or Investment Assets

Cash and Cash Equivalents. We had unrestricted cash and cash equivalents of \$5.5 million at March 31, 2006 versus \$9.1 million at December 31, 2005.

Prepaid and Other Assets. Prepaid and other assets totaled \$18.7 million as of March 31, 2006 versus \$16.5 million at December 31, 2005. Prepaid and other assets as of March 31, 2006 consisted primarily of a deferred tax benefit of \$13.0 million and loans held by us which are pending remedial action (such as updating loan documentation) or which do not currently meet third-party investor criteria.

Property and Equipment, Net - Property and equipment totaled \$7.0 million as of March 31, 2006 and have estimated lives ranging from three to ten years, and are stated at cost less accumulated depreciation and amortization. Depreciation is determined in amounts sufficient to charge the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Leasehold improvements are amortized over the lesser of the life of the lease or service lives of the improvements using the straight-line method.

Balance Sheet Analysis - Financing Arrangements

Financing Arrangements, Mortgage Loans Held for Sale/for Investment. We had debt outstanding on our financing facilities that finance our mortgage loans held for sale and mortgage loans held for investment of \$210.0 million at March 31, 2006 as compared to \$225.2 million at December 31, 2005. As of March 31, 2006, the current weighted average borrowing rate on these financing facilities is 5.49%. The fluctuations in mortgage loans - held-for-sale and short-term borrowings are dependent on loans we have originated during the period as well as loans we have sold outright.

Financing Arrangements, Portfolio Investments. We have arrangements to enter into repurchase agreements, a form of collateralized borrowings, with 23 different financial institutions providing a total line capacity of \$5.6 billion. As of March 31, 2006 and December 31, 2005, there were \$1.1 billion and \$1.2 billion, respectively, of outstanding borrowings under our repurchase agreements. Our repurchase agreements typically have terms of less than one year. As of March 31, 2006, the current weighted average interest rate on our borrowings under these financing facilities is 4.80%.

Collateralized Debt Obligations. The Company's CDO is secured by ARM loans pledged as collateral. The ARM loans are recorded as an asset of the Company and the CDO is recorded as the Company's debt. The transaction includes an amortizing interest rate cap contract with an initial notional amount of \$222.1 million which is held by the trust and recorded as an asset of the Company. The interest rate cap limits the interest rate exposure on these transactions. As of March 31, 2006 and December 31, 2005, we have CDO outstanding of \$220.5 million and \$228.2 million, respectively. As of March 31, 2006 the current weighted average interest rate on this CDO was 5.07%. The CDO is collateralized by ARM loans with a principal balance of \$227.8 million.

Subordinated Debentures. As of March 31, 2006, we have trust preferred securities outstanding of \$45.0 million. The securities are fully guaranteed by the Company with respect to distributions and amounts payable upon liquidation, redemption or repayment. These securities are classified as subordinated debentures in the liability section of the Company's consolidated balance sheet.

\$25.0 million of our subordinated debentures have a floating interest rate equal to three-month LIBOR plus 3.75%, resetting quarterly (8.28% at March 31, 2006). These securities mature on March 15, 2035 and may be called at par by the Company any time after March 15, 2010. NYMC entered into an interest rate cap agreement to limit the maximum interest rate cost of the trust preferred securities to 7.5%. The term of the interest rate cap agreement is five years and resets quarterly in conjunction with the reset periods of the trust preferred securities.

\$20 million of our subordinated debentures have a fixed interest rate equal to 8.35% up to and including July 30, 2010, at which point the interest rate is converted to a floating rate equal to one-month LIBOR plus 3.95% until maturity. The securities mature on October 30, 2035 and may be called at par by the Company any time after October 30, 2010.

Derivative Assets and Liabilities. We generally hedge only the risk related to changes in the benchmark interest rate used in the variable rate index, usually a London Interbank Offered Rate, known as LIBOR, or a U.S. Treasury rate.

In order to reduce these risks, we enter into interest rate swap agreements whereby we receive floating rate payments in exchange for fixed rate payments, effectively converting the borrowing to a fixed rate. We also enter into interest rate cap agreements whereby, in exchange for a fee, we are reimbursed for interest paid in excess of a contractually specified capped rate.

Derivative financial instruments contain credit risk to the extent that the institutional counterparties may be unable to meet the terms of the agreements. We minimize this risk by using multiple counterparties and limiting our counterparties to major financial institutions with good credit ratings. In addition, we regularly monitor the potential

risk of loss with any one party resulting from this type of credit risk. Accordingly, we do not expect any material losses as a result of default by other parties.

We enter into derivative transactions solely for risk management purposes. The decision of whether or not a given transaction (or portion thereof) is hedged is made on a case-by-case basis, based on the risks involved and other factors as determined by senior management, including the financial impact on income and asset valuation and the restrictions imposed on REIT hedging activities by the Internal Revenue Code, among others. In determining whether to hedge a risk, we may consider whether other assets, liabilities, firm commitments and anticipated transactions already offset or reduce the risk. All transactions undertaken as a hedge are entered into with a view towards minimizing the potential for economic losses that could be incurred by us. Generally, all derivatives entered into are intended to qualify as hedges in accordance with GAAP, unless specifically precluded under SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities*. To this end, terms of the hedges are matched closely to the terms of hedged items.

We have also developed risk management programs and processes designed to manage market risk associated with normal mortgage banking and mortgage-backed securities investment activities.

In the normal course of our mortgage loan origination business, we enter into contractual interest rate lock commitments, or IRLCs, to extend credit to finance residential mortgages. These commitments, which contain fixed expiration dates, become effective when eligible borrowers lock-in a specified interest rate within time frames established by our origination, credit and underwriting practices. Interest rate risk arises if interest rates change between the time of the lock-in of the rate by the borrower and the sale of the loan.

To mitigate the effect of the interest rate risk inherent in issuing an IRLC from the lock-in date to the funding date of a loan, we generally enter into forward sale loan contracts, or FSLCs. Once a loan has been funded, our risk management objective for our mortgage loans held for sale is to protect earnings from an unexpected charge due to a decline in value of such mortgage loans. Our strategy is to engage in a risk management program involving the designation of FSLCs (the same FSLCs entered into at the time of the IRLC) to hedge most of our mortgage loans held for sale.

The following table summarizes the estimated fair value of derivative assets and liabilities as of March 31, 2006 and December 31, 2005 (dollar amounts in thousands):

	March 31, 2006	December 31, 2005
Derivative Assets:		
Interest rate caps	\$ 4,162	\$ 3,340
Interest rate swaps	6,043	6,383
Interest rate lock commitments - loan commitments	—	123
Forward loan sale contracts - loan commitments	108	—
Forward loan sale contracts - mortgage loans held for sale	93	—
Forward loan sale contracts - TBA securities	335	—
Total derivative assets	\$ 10,741	\$ 9,846
Derivative Liabilities:		
Forward loan sale contracts - loan commitments	—	(38)
Forward loan sale contracts - mortgage loans held for sale	—	(18)
Forward loan sale contracts - TBA securities	—	(324)
Interest rate lock commitments - loan commitments	(352)	—
Interest rate lock commitments - mortgage loans held for sale	(233)	(14)
Total derivative liabilities	\$ (585)	\$ (394)

Balance Sheet Analysis - Stockholders' Equity

Stockholders' equity at March 31, 2006 was \$93.7 million and included \$1.0 million of net unrealized losses on available for sale securities and cash flow hedges presented as accumulated other comprehensive income as compared to Stockholders' equity at December 31, 2005 of \$101.0 million.

Securitizations

NYMT 2006-1-During the three month period ended March 31, 2006, we completed the securitization of approximately \$277.4 million of high-credit quality, first-lien, adjustable rate mortgage and hybrid adjustable rate mortgages. We accounted for this securitization as a non-recourse sale in accordance with SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities."

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The amount of each class of notes, together with the interest rate and credit ratings for each class are set forth below (dollar amounts in thousands):

Class	Approximate Principal Amount	Interest Rate (%)	Moody's/Fitch Rating
1-A-1	\$ 6,726	5.648	Aaa/AAA
2-A-1	148,906	5.673	Aaa/AAA
2-A-2	20,143	5.673	Aaa/AAA
2-A-3	65,756	5.673	Aaa/AAA
2-A-4	9,275	5.673	Aa1/AAA
3-A-1	16,055	5.855	Aaa/AAA
B-1	3,746	5.683	Aa2/AA
B-2	2,497	5.683	A2/A
B-3	1,525	5.683	Baa2/BBB
B-4	1,387	5.683	NR/BB
B-5	694	5.683	NR/B
B-6	693	5.683	NR

NR-such rating agency has not been asked to rate these certificates.

For the year ended December 31, 2005, we completed three CDO transactions in which we securitized \$896.9 million of our residential mortgage loans into a series of multi-class adjustable rate securities. In the first two CDOs, we elected to retain 100% of the resultant securities and finance them through repurchase agreements. The creation of mortgage-backed securities of our mortgage loans in this manner provides an asset with better liquidity and longer-term financing at better rates as opposed to financing whole loans through warehouse lines. Beginning with our third CDO of self-originated mortgage loans in December 2005, \$235 million of ARM loans were permanently financed through the issuance of securities to third parties. Because we did not retain all of the resultant securities as in prior CDOs, this securitization eliminated the risk of short-term financing (eliminating the asset to liability duration gap) and the mark-to-market pricing risk inherent in financing through repurchase agreements or warehouse lines of credit; as a result of this permanent financing we are not subject to margin calls.

We did not account for these securitizations as sales because the transactions are secured borrowings under SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities."

At the time of securitization, the weighted average loan-to-value of the mortgage loans in the trust was approximately 69.7% and the weighted average FICO score was approximately 740. The weighted average current loan rate of the pool of mortgage loans is approximately 5.92% and the weighted average maximum loan rate (after periodic rate resets) is 11.13%.

Prepayment Experience

For the three months ended March 31, 2006, our mortgage assets paid down at an approximate average annualized Constant Paydown Rate ("CPR") of 18%, compared to 22% for the three months ended March 31, 2005 and 31% for the three months ended December 31, 2005. When prepayment experience increases, we have to amortize our premiums over a shorter time period, resulting in a reduced yield to maturity on our ARM assets. Conversely, if actual prepayment experience decreases, we would amortize the premium over a longer time period, resulting in a higher yield to maturity. We monitor our prepayment experience on a monthly basis and adjust the amortization of the net premium, as appropriate.

Results of Operations

Our results of operations for our mortgage portfolio management segment during a given period typically reflect the net interest spread earned on our investment portfolio of residential mortgage loans and mortgage-backed securities. The net interest spread is impacted by factors such as our cost of financing, the interest rate our investments are earning and our interest hedging strategies. Furthermore, the cost of originating loans held in our portfolio, the amount of premium or discount paid on purchased portfolio investments and the prepayment rates on portfolio investments will impact the net interest spread as such factors will be amortized over the expected term of such investments.

Our results of operations for our mortgage lending segment during a given period typically reflect the total volume of loans originated and closed by us during that period. The volume of closed loan originations generated by us in any period is impacted by a variety of factors. These factors include:

- *The demand for new mortgage loans.* Reduced demand for mortgage loans causes closed loan origination volume to decline. Demand for new mortgage loans is directly impacted by current interest rate trends and other economic conditions. Rising interest rates tend to reduce demand for new mortgage loans, particularly loan refinancings, and falling interest rates tend to increase demand for new mortgage loans, particularly loan refinancings.
- *Loan refinancing and home purchase trends.* As discussed above, the volume of loan refinancings tends to increase following declines in interest rates and to decrease when interest rates rise. The volume of home purchases is also affected by interest rates, although to a lesser extent than refinancing volume. Home purchase trends are also affected by other economic changes such as inflation, improvements in the stock market, unemployment rates and other similar factors.
- *Seasonality.* Historically, according to the MBA, loan originations during late November, December, January and February of each year are typically lower than during other months in the year due, in part, to inclement weather, fewer business days (due to holidays and the short month of February), and the fact that home buyers tend to purchase homes during the warmer months of the year. As a result, loan volumes tend to be lower in the first and fourth quarters of a year than in the second and third quarters.
- *Occasional spikes in volume resulting from isolated events.* Mortgage lenders may experience spikes in loan origination volume from time to time due to non-recurring events or transactions, such as a large mass closing of a condominium project for which a bulk end-loan commitment was negotiated.

In its March 13, 2006 Mortgage Finance Forecast, the MBA estimated that closed loan originations in the industry remained static from 2004 to 2005. A decline in the overall volume of closed loan originations, which is forecasted by the MBA for 2006, may have a negative effect on our loan origination volume and net income. We believe that our concentration on purchase loan originations has caused our loan origination volume to be less susceptible to the industry-wide decline in origination volume.

The volume and cost of our loan production is critical to our financial results. The loans we produce generate gains as they are sold to third parties. Loans we retain for securitization serve as collateral for our mortgage securities. We do not recognize gain on sale income on loans originated by us and retained in our investment portfolio as they are recorded at cost and will generate revenues through their maturity and ultimate repayment. As the cost basis of a retained loan is typically lower than loans purchased from third parties or already placed in a securitization, we would expect an incremental yield increase on these loans relative to their purchased counterparts.

The cost of our production is also critical to our financial results as it is a significant factor in the gains we recognize. In addition, the type of loan production is an important factor in recognizing gain on sale premiums. Beginning near the end of the first quarter of 2004, our volume of FHA loans increased. Generally, FHA loans have lower average balances and FICO scores which are reflected in the statistics above. All FHA loans are currently and will be in the future sold or brokered to third parties. The following table summarizes our loan production for the quarter ended March 31, 2006 and each quarter of 2005.

	Number of Loans	Aggregate Principal Balance (\$ in millions)	Percentage Of Total Principal	Weighted Average Interest Rate	Average Principal Balance	Weighted Average LTV	FICO
2006:							
<i>First Quarter</i>							
ARM	921	\$ 286.9	47.4%	6.71%	\$ 311,499	71.8	706
Fixed-rate	1,442	295.4	48.8%	7.06%	204,870	73.3	712
Subtotal-non-FHA	2,363	\$ 582.3	96.2%	6.89%	\$ 246,429	72.5	709
FHA - ARM	2	\$ 0.4	0.0%	5.57%	\$ 218,325	93.0	646
FHA - fixed-rate	142	22.9	3.8%	6.13%	161,022	92.7	650
Subtotal - FHA	144	\$ 23.3	3.8%	6.12%	\$ 161,818	92.7	650
Total ARM	923	\$ 287.3	47.4%	6.71%	\$ 311,297	71.8	705
Total fixed-rate	1,584	318.3	52.6%	6.99%	200,939	74.7	708
Total Originations	2,507	\$ 605.6	100.0%	6.86%	\$ 241,569	73.3	707
Purchase mortgages	1,599	\$ 346.9	57.3%	7.00%	\$ 216,918	77.3	721
Refinancings	764	235.4	38.9%	6.71%	308,195	65.5	690
Subtotal-non-FHA	2,363	\$ 582.3	96.2%	6.89%	\$ 246,429	72.5	709
FHA - purchase	70	\$ 12.3	2.0%	6.07%	\$ 175,043	96.4	655
FHA - refinancings	74	11.0	1.8%	6.17%	149,308	88.7	645
Subtotal - FHA	144	\$ 23.3	3.8%	6.12%	\$ 161,818	92.7	650
Total purchase	1,669	\$ 359.1	59.3%	6.97%	\$ 215,162	78.0	719
Total refinancings	838	246.5	40.7%	6.69%	294,164	66.5	688
Total Originations	2,507	\$ 605.6	100.0%	6.86%	\$ 241,569	73.3	707

2005:*Fourth Quarter*

ARM	1,321	\$ 452.5	55.0%	6.33%	\$ 342,551	71.9	700
Fixed-rate	1,617	343.7	41.8%	6.79%	212,524	72.2	712
Subtotal-non-FHA	2,938	\$ 796.2	96.8%	6.53%	\$ 270,987	72.1	705
FHA - ARM	1	\$ 0.2	0.0%	5.80%	\$ 157,545	84.6	655
FHA - fixed-rate	194	26.5	3.2%	6.06%	136,820	93.5	639
Subtotal - FHA	195	\$ 26.7	3.2%	6.06%	\$ 136,927	93.4	639
Total ARM	1,322	\$ 452.7	55.0%	6.33%	\$ 342,411	72.0	700
Total fixed-rate	1,811	370.2	45.0%	6.74%	204,414	73.7	707
Total Originations	3,133	\$ 822.9	100.0%	6.52%	\$ 262,643	72.7	703

Purchase mortgages	1,949	\$ 426.8	51.9%	6.73%	\$ 218,995	78.5	716
Refinancings	989	369.4	44.9%	6.29%	373,447	64.5	692
Subtotal-non-FHA	2,938	\$ 796.2	96.8%	6.53%	\$ 270,987	72.1	705
FHA - purchase	38	\$ 6.1	0.7%	6.40%	\$ 161,278	97.4	649
FHA - refinancings	157	20.6	2.5%	5.95%	131,033	92.1	636
Subtotal - FHA	195	\$ 26.7	3.2%	6.06%	\$ 136,927	93.4	639
Total purchase	1,987	\$ 432.9	52.6%	6.72%	\$ 217,891	78.8	715
Total refinancings	1,146	390.0	47.4%	6.28%	340,237	66.0	689
Total Originations	3,133	\$ 822.9	100.0%	6.52%	\$ 262,643	72.7	703

Third Quarter

ARM	1,727	\$ 513.3	51.2%	6.10%	\$ 297,213	73.8	705
Fixed-rate	1,946	392.2	39.1%	6.43%	201,537	73.2	717
Subtotal-non-FHA	3,673	\$ 905.5	90.3%	6.25%	\$ 246,522	73.5	710
FHA - ARM	4	\$ 0.8	0.1%	5.80%	\$ 217,202	94.7	642
FHA - fixed-rate	700	95.9	9.6%	5.72%	136,954	92.9	633
Subtotal - FHA	704	\$ 96.7	9.7%	5.72%	\$ 137,410	93.0	633
Total ARM	1,731	\$ 514.1	51.3%	6.10%	\$ 297,028	73.8	705
Total fixed-rate	2,646	488.1	48.7%	6.29%	184,451	77.1	700
Total Originations	4,377	\$ 1,002.2	100.0%	6.19%	\$ 228,973	75.4	703

Purchase mortgages	2,568	\$ 558.1	55.7%	6.39%	\$ 217,314	78.1	719
Refinancings	1,105	347.4	34.6%	6.01%	314,402	66.2	696
Subtotal-non-FHA	3,673	\$ 905.5	90.3%	6.25%	\$ 246,522	73.5	710
FHA - purchase	71	\$ 11.7	1.2%	6.05%	\$ 165,045	96.3	659
FHA - refinancings	633	85.0	8.5%	5.67%	134,310	92.5	630
Subtotal - FHA	704	\$ 96.7	9.7%	5.72%	\$ 137,410	93.0	633
Total purchase	2,639	569.8	56.9%	6.38%	\$ 215,908	78.5	718
Total refinancings	1,738	432.4	43.1%	5.94%	248,811	71.4	683
Total Originations	4,377	\$ 1,002.2	100.0%	6.19%	\$ 228,973	75.4	703

Second Quarter

ARM	1,839	\$ 537.9	57.2%	5.90%	\$ 292,482	72.7	709
Fixed-rate	1,777	337.1	35.9%	6.47%	189,732	72.7	718
Subtotal-non-FHA	3,616	\$ 875.0	93.1%	6.12%	\$ 241,988	72.7	712
FHA - ARM	30	\$ 4.8	0.5%	5.34%	\$ 159,088	93.7	611
FHA - fixed-rate	449	59.9	6.4%	5.97%	133,408	92.6	624
Subtotal - FHA	479	\$ 64.7	6.9%	5.92%	\$ 135,016	92.7	623
Total ARM	1,869	542.7	57.7%	5.89%	\$ 290,341	72.8	708
Total fixed-rate	2,226	397.0	42.3%	6.39%	178,371	75.7	704
Total Originations	4,095	\$ 939.7	100.0%	6.10%	\$ 229,475	74.0	706

Purchase mortgages	2,652	\$ 587.8	62.6%	6.21%	\$ 221,657	76.4	720
Refinancings	964	287.2	30.5%	5.94%	297,918	65.1	695
Subtotal-non-FHA	3,616	\$ 875.0	93.1%	6.12%	\$ 241,988	72.7	712
FHA - purchase	85	\$ 13.9	1.5%	5.99%	\$ 163,693	96.3	644
FHA - refinancings	394	50.8	5.4%	5.91%	128,829	91.7	617
Subtotal - FHA	479	\$ 64.7	6.9%	5.92%	\$ 135,016	92.7	623
Total purchase	2,737	601.7	64.1%	6.20%	\$ 219,857	76.8	719
Total refinancings	1,358	338.0	35.9%	5.93%	248,860	69.1	684
Total Originations	4,095	\$ 939.7	100.0%	6.10%	\$ 228,973	74.0	706

First Quarter

ARM	1,313	\$ 355.3	52.8%	5.61%	\$ 270,603	72.7	708
Fixed-rate	1,274	247.8	36.9%	6.31%	194,541	71.4	719
Subtotal-non-FHA	2,587	\$ 603.1	89.7%	5.90%	\$ 233,145	72.2	712
FHA - ARM	59	\$ 9.5	1.4%	5.10%	\$ 160,093	93.8	648
FHA - fixed-rate	462	59.9	8.9%	5.85%	129,756	92.2	635
Subtotal - FHA	521	\$ 69.4	10.3%	5.75%	\$ 133,191	92.4	637
Total ARM	1,372	364.8	54.2%	5.60%	\$ 265,851	73.2	706
Total fixed-rate	1,736	307.7	45.8%	6.22%	177,299	75.5	703
Total Originations	3,108	\$ 672.5	100.0%	5.88%	\$ 216,390	74.3	705

Purchase mortgages	1,717	\$ 365.9	54.4%	6.03%	\$ 213,081	76.2	723
Refinancings	870	237.2	35.3%	5.69%	272,743	66.0	696
Subtotal-non-FHA	2,587	\$ 603.1	89.7%	5.90%	\$ 233,145	72.2	712
FHA - purchase	95	\$ 15.1	2.2%	5.66%	\$ 158,699	97.2	672
FHA - refinancings	426	54.3	8.1%	5.78%	127,503	91.0	627
Subtotal - FHA	521	\$ 69.4	10.3%	5.75%	\$ 133,191	92.4	637
Total purchase	1,812	381.0	56.6%	6.02%	\$ 210,230	77.0	721
Total refinancings	1,296	291.5	43.4%	5.71%	225,002	70.7	683
Total Originations	3,108	\$ 672.5	100.0%	5.88%	\$ 216,390	74.3	705

In addition to market trends for loan origination volume, loan origination volume and other operational and financial performance results were primarily dependent on the number of offices and our level of staffing at these offices. Our personnel costs are largely variable in that loan origination personnel are paid commissions on loan production volume and the related operations personnel costs are somewhat variable in terms of having flexibility to scale operations based on volume levels. Our staffing levels also have a high correlation to levels of expense for marketing and promotion expense, office supplies, data processing and travel and entertainment expenses. Likewise, the number of offices and branches that we operate has a high correlation to occupancy and equipment expense.

Other Operational Information

	For the Three Months Ended March 31,		
	2006	2005	% Change
Loan officers	372	348	6.9%
Other employees	380	462	(17.7)%
Total employees	752	810	(7.2)%
Number of sales locations	53	63	(15.9)%

Results of Operations - Comparison of the Three Months Ended March 31, 2006, and 2005

Net Income - Overview

Comparative Net Income

	For the Three Months Ended March 31,		
	2006	2005	% Change
(dollar amounts in thousands except per share data)			
Net (loss)/income	\$ (1,796)	\$ (38)	(462.6)%
EPS (Basic)	\$ (0.10)	\$ —	(0.0)%
EPS (Diluted)	\$ (0.10)	\$ —	(0.0)%

For the three months ended March 31, 2006, we reported a net loss of \$1.8 million, as compared to a net loss of \$38,000 for the three months ended March 31, 2005. Our revenues are driven largely from interest income on investments in mortgage loans and mortgage securities (our “mortgage portfolio management” segment) and gain on sale income from loan originations sold to third parties (our “mortgage lending” segment) during the period. The change in net income is attributed to a decrease in gain on sale income and net interest income from our investment portfolio.

Comparative Net Interest Income

	For the Three Months Ended March 31,		
	2006	2005	% Change
(dollar amounts in thousands)			
Interest income	\$ 22,626	\$ 17,117	32.2%
Interest expense	18,279	11,690	56.4%

Net interest income	\$	4,347	\$	5,427	(19.9)%
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Net interest income contributed \$4.3 million, and 5.4 million to total revenues for the three months ended March 31, 2006, and 2005, respectively.

Non-interest related expenses were lower for the three months ended March 31, 2006, relative to the same period of 2005, primarily as a result of a reduction in amortized compensation expense related to retention bonuses and performance stock grants issued in connection with our hiring and retention of former GRL branch employees in November 2004. For the three months ended March 31, 2006, such expenses were \$0.1 million as compared to \$1.0 million for the same prior year period.

Comparative Other Non-Interest Related Expense

	For the Three Months Ended March 31,				
	2006		2005		% Change
(dollar amounts in thousands)					
Other non-interest related expenses	\$	14,283	\$	14,967	(4.6)%

Net Interest Income. The following table summarizes the changes in net interest income for the three months ended March 31:

Yields Earned on Mortgage Loans and Securities and Rates on Financial Arrangements
(dollar amounts in thousands unless otherwise noted))

	2006			2005		
	Average Balance (\$Millions)	Amount	Yield/ Rate	Average Balance (\$Millions)	Amount	Yield/ Rate
Interest Income:						
Investment securities and loans held in the securitization trusts	\$ 1,472.7	\$ 17,941	4.85%	\$ 1,288.8	\$ 14,015	4.35%
Loans held for investment	—	—	—	148.0	1,693	4.58%
Loans held for sale	258.3	5,042	6.86%	326.0	2,593	5.91%
Amortization of net premium	5.8	(357)	(0.10)%	15.2	(1,185)	(0.37)%
Interest income	\$ 1,736.8	\$ 22,626	5.21%	\$ 1,778.0	\$ 17,116	3.85%
Interest Expense:						
Investment securities and loans held in the securitization trusts	\$ 1,393.8	\$ 14,079	4.04%	\$ 1,217.3	\$ 8,620	2.83%
Loans held for investment	—	—	—	146.3	1,144	3.13%
Loans held for sale	252.0	3,315	5.42%	318.0	2,701	3.40%
Subordinated debentures	45.0	885	7.86%	4.7	75	6.36%
Interest expense	\$ 1,690.8	\$ 18,279	4.32%	\$ 1,686.3	\$ 12,540	2.97%
Net interest income	\$ 46.0	\$ 4,347	0.89%	\$ 91.7	\$ 4,576	0.88%

For our portfolio investments of investment securities, mortgage loans held for investments and loans held in securitization trusts, our net interest spread for each quarter since we began our portfolio investment activities follows:

As of the Quarter Ended	Average Interest Earning Assets	Historical Weighted Average Coupon	Yield on Interest Earning Assets	Cost of Funds Net of Hedging	Net Interest Spread
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	(\$ millions)					
March 31, 2006	\$	1,478.6	4.85%	4.75%	4.04%	0.71%
December 31, 2005	\$	1,499.0	4.84%	4.43%	3.81%	0.62%
September 30, 2005	\$	1,494.0	4.69%	4.08%	3.38%	0.70%
June 30, 2005	\$	1,590.0	4.50%	4.06%	3.06%	1.00%
March 31, 2005	\$	1,447.9	4.39%	4.01%	2.86%	1.15%
December 31, 2004	\$	1,325.7	4.29%	3.84%	2.58%	1.26%
September 30, 2004	\$	776.5	4.04%	3.86%	2.45%	1.41%

Gain on Sales of Mortgage Loans. The following table summarizes the gain on sales of mortgage loans for each of the three months ended March 31, 2006 and 2005:

Gain on Sales of Mortgage Loans
For the three months ended March 31,
(dollar amounts in thousands)

	2006	2005	% Change
Total bankered loan volume	\$ 422,247	\$ 563,161	(25.0)%
Total bankered loan volume - units	1,895	2,645	(28.4)%
Bankered originations retained for securitization	\$ 69,739	\$ 136,393	(48.9)%
Bankered originations retained for securitization - units	134	353	(62.0)%
Net bankered loan volume	\$ 352,508	\$ 426,767	(17.4)%
Net bankered loan volume - units	1,761	2,292	(23.2)%
Gain on sales of mortgage loans	\$ 4,070	\$ 4,321	(5.8)%
Average gain on sale premium	1.44%	2.39%	(39.7)%

The decrease in bankered loan volumes during the period is due to decreased industry-wide loan origination volume, partially in response to increased interest rates relative to the prior comparable period.

While bankered loan volumes have decreased, the gain on sales of mortgage loans have also decreased due to lower net market spreads as a result of lower premiums when sold to third parties.

Brokered Loan Fees. The following table summarizes brokered loan volume, fees and related expenses for the three months ended March 31, 2006 and 2005:

Brokered Loan Fees and Brokered Loan Expense

(dollar amounts in thousands)	For the three months ended March 31		
	2006	2005	%
			Change
Total brokered loan volume	\$ 183,368	\$ 109,379	67.6%
Total brokered loan volume - units	612	463	32.2%
Brokered loan fees	\$ 2,777	\$ 2,000	38.9%
Brokered loan expenses	\$ 2,168	\$ 1,159	42.7%

The increase in brokered loan volume for the three months ended March 31, 2006 relative to the comparable period of the prior year, is due to higher originations of loan product offerings which the Company does not banker either due to the product's higher credit risk profile or other characteristics of the brokered production which preclude banking the loan. The increase in banked loan fees and expenses are consistent with the related increase in brokered loan volume.

Gain on sale of securities and related hedges. During the three months ended March 31, 2006, the gain on the sale of securities and related hedges was \$0.0 million as compared to \$0.4 million for the three months ended March 31, 2005.

Loss on sale of current period securitized loans. During the three months ended March 31, 2006, the Company recognized a loss of \$0.8 million on the NYMT-2006-1 securitization of residential mortgage loans, which was accounted for as a sale. There was no such transaction during the three months ended March 31, 2005.

Realized loss on investment securities. During the three months ended March 31, 2006, the Company recognized \$1.0 million realized loss on the sale of impaired investment securities as compared to \$0.0 million for the three months ended March 31, 2005.

Expenses

Most of our expenses are directly correlated to our staffing levels and our number of offices:

(dollar amounts in thousands)	For the Three Months Ended March 31,		
	2006	2005	%
			Change
Loan officers	372	348	6.9%
Other employees	380	462	(17.7)%
Total employees	752	810	(7.2)%
Number of sales locations	53	63	(15.9)%
Salaries and benefits	\$ 6,341	\$ 7,143	(11.2)%
Occupancy and equipment	1,326	2,135	(37.9)%
Marketing and promotion	787	1,400	(43.8)%
Data processing and communications	661	518	27.6%
Office supplies and expenses	605	573	5.6%

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Travel and entertainment	182	215	(15.3)%
Depreciation and amortization	565	343	64.7%

Except as noted below, the category percentage changes noted above also have a trend correlation to the 9.9% decrease in loan origination volume exhibited for the three months ended March 31, 2006 relative to March 31, 2005.

Occupancy and Equipment. During the three months ended March 31, 2006, we had occupancy and equipment expense of \$1.3 million as compared to \$2.1 million for the same period of 2005, a decrease of 38.1%. The decrease was due to a non-cash charge-off of \$0.8 million related to our sublet of our former headquarters at terms below our contractual obligations for the premises.

Marketing and Promotion. During the three months ended March 31, 2006, we had marketing and promotion expense of \$0.8 million as compared to \$1.4 million for the same period of 2005, a decrease of 42.9%. For the three months ended March 31, 2005, marketing and promotion expenses were higher relative to the same period of 2006 in order to promote newly-opened loan origination offices and the corresponding hiring of additional loan origination personnel, particularly related to our acquisition of the GRL branches in mid-November 2004.

Professional Fees Expense. During the three months ended March 31, 2006, we had professional fees expense of \$1.3 million as compared to \$0.7 million for the same period of 2005, an increase of 85.7%. This increase was primarily due to increases in association dues, professional costs related to compliance with the Sarbanes-Oxley Act of 2002 and increases in accounting and tax services.

Off-Balance Sheet Arrangements

Since inception, we have not maintained any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Further, we have not guaranteed any obligations of unconsolidated entities nor do we have any commitment or intent to provide funding to any such entities. Accordingly, we are not materially exposed to any market, credit, liquidity or financing risk that could arise if we had engaged in such relationships.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain investments, pay dividends to our stockholders and other general business needs. We recognize the need to have funds available for our operating businesses and our investment in mortgage loans until the settlement or sale of mortgages with us or with other investors. It is our policy to have adequate liquidity at all times to cover normal cyclical swings in funding availability and mortgage demand and to allow us to meet abnormal and unexpected funding requirements. We plan to meet liquidity through normal operations with the goal of avoiding unplanned sales of assets or emergency borrowing of funds.

We believe our existing cash balances and funds available under our credit facilities and cash flows from operations will be sufficient for our liquidity requirements for at least the next 12 months. Unused borrowing capacity will vary as the market values of our securities vary. Our investments and assets will also generate liquidity on an ongoing basis through mortgage principal and interest payments, pre-payments and net earnings held prior to payment of dividends. Should our liquidity needs ever exceed these on-going or immediate sources of liquidity discussed above, we believe that our securities could be sold to raise additional cash in most circumstances. We do, however, expect to expand our mortgage origination operations and may have to arrange for additional sources of capital through the issuance of debt or equity or additional bank borrowings to fund that expansion. At March 31, 2006, we had no commitments for any additional financings, and we cannot ensure that we will be able to obtain any future additional financing at the times required and on terms and conditions acceptable to us.

To finance our investment portfolio, we generally seek to borrow between eight and 12 times the amount of our equity. Our leverage ratio, defined as total financing facilities outstanding divided by total stockholders' equity, at March 31, 2006, was 16 to 1. We, and the providers of our finance facilities, generally view our \$45.0 million of subordinated trust preferred debentures outstanding at March 31, 2006 as a form of equity which would result in an adjusted leverage ratio of 11 to 1.

Under our warehouse facilities, we have arrangements to enter into repurchase agreements, a form of collateralized short-term borrowing, with 23 different financial institutions with total borrowing capacity of \$5.6 billion; as of March 31, 2006 we had borrowed from seven of these firms. These agreements are secured by our mortgage-backed securities and bear interest rates that have historically moved in close relationship to LIBOR. As of March 31, 2006 we had \$1.1 billion in outstanding repurchase agreements under our warehouse facilities. Under these repurchase agreements the financial institutions lend money versus the market value of our mortgage-backed securities portfolio, and, accordingly, an increase in interest rates can have a negative impact on the valuation of these securities, resulting in a potential margin call from the financial institution. We monitor the market valuation fluctuation as well as other liquidity needs to ensure there is adequate collateral available to meet any additional margin calls or liquidity requirements.

We enter into interest rate swap agreements to extend the maturity of our repurchase agreements as a mechanism to reduce the interest rate risk of the securities portfolio. At March 31, 2006 we had \$652.0 million in interest rate swaps outstanding with six different financial institutions. The weighted average maturity of the swaps was 285 days at March 31, 2006. The impact of the interest rate swaps extends the maturity of the repurchase agreements to one year.

To originate a mortgage loan, we may draw against a \$200.0 million master repurchase facility with Credit Suisse First Boston Mortgage Capital, LLC, or CSFB, a master repurchase facility with Greenwich Capital for \$250 million and a \$300 million facility with Deutsche Bank Structured Products, Inc. Under these agreements, the counterparty provides financing to us for the origination or acquisition of certain mortgage loans, which then will be sold to third parties or contributed for future securitization to one or more trusts or other entities sponsored by us or an affiliate. We will repay advances under this credit facility with a portion of the proceeds from the sale of all mortgage-backed securities issued by the trust or other entity, along with a portion of the proceeds resulting from permitted whole loan sales. Advances under this facility bear interest at a floating rate initially equal to LIBOR plus a spread (starting at 0.62%) that varies depending on the types of mortgage loans securing these facilities. Advances under these facilities are subject to lender approval of the mortgage loans intended for origination or acquisition, advance rates and the then ratio of our liabilities to our tangible net worth. These facilities are not committed facilities and may be terminated at any time at the discretion of the counterparties. As of March 31, 2006 the outstanding balance of the Greenwich facility was \$0.4 million, the Deutsche Bank facility was \$108.0 million, and the balance of the CSFB facility was \$101.7 million with the maximum aggregate amount available for additional borrowings of \$539.9 million.

The documents governing these facilities contain a number of compensating balance requirements and restrictive financial and other covenants that, among other things, require us to maintain a maximum ratio of total liabilities to tangible net worth, of 15 to 1 in the case of the CSFB facility, 20 to 1 in the case of the Greenwich Capital facility and 15 to 1 in the case of Deutsche Bank, as well as to comply with applicable regulatory and investor requirements. The lines contain various covenants pertaining to, among other things, maintenance of certain amounts of net worth, periodic income thresholds and working capital. As of March 31, 2006, the Company was in compliance with all covenants with the exception of the net income covenant on all three of the facilities and waivers have been obtained from these institutions. As these annual agreements are negotiated for renewal, these covenants may be further modified. The agreements are each renewable annually, but are not committed, meaning that the counterparties to the agreements may withdraw access to the credit facilities at any time.

The agreements also contain covenants limiting the ability of our subsidiaries to:

- transfer or sell assets;
- create liens on the collateral; or
- incur additional indebtedness, without obtaining the prior consent of the lenders, which consent may not be unreasonably withheld.

These limits may in turn restrict our ability to pay cash or stock dividends on our stock. In addition, under our warehouse facilities, we cannot continue to finance a mortgage loan that we hold through the warehouse facility if:

- the loan is rejected as “unsatisfactory for purchase” by the ultimate investor and has exceeded its permissible warehouse period which varies by facility;
- we fail to deliver the applicable note, mortgage or other documents evidencing the loan within the requisite time period;
- the underlying property that secures the loan has sustained a casualty loss in excess of 5% of its appraised value; or
- the loan ceases to be an eligible loan (as determined pursuant to the warehouse facility agreement).

We expect that these credit facilities will be sufficient to meet our capital and financing needs during the next twelve months. The balances of these facilities fluctuate based on the timing of our loan closings (at which point we may draw upon the facilities) and the near-term subsequent sale of these loans to third parties or the alternative financing thereof through repurchase agreements or, in the future, securitizations for mortgage loans we intend to retain (at which point these facilities are paid down). The current availability under these facilities and our current and projected levels of loan origination volume are consistent with our historic ability to manage our pipeline of mortgage loans, the subsequent sale thereof and the related pay down of the facilities.

As of March 31, 2006, our aggregate warehouse and repurchase facility borrowings under these facilities were \$210.0 million and \$1.1 billion, respectively, at an average interest rate of approximately 4.94%.

Our financing arrangements are short-term facilities secured by the underlying investment in residential mortgage loans, the value of which may move inversely with changes in interest rates. A decline in the market value of our investments in the future may limit our ability to borrow under these facilities or result in lenders requiring additional collateral or initiating margin calls under our repurchase agreements. As a result, we could be required to sell some of our investments under adverse market conditions in order to maintain liquidity. If such sales are made at prices lower than the amortized costs of such investments, we will incur losses.

Our ability to originate loans depends in large part on our ability to sell the mortgage loans we originate at cost or for a premium in the secondary market so that we may generate cash proceeds to repay borrowings under our warehouse facilities and our repurchase agreement. The value of our loans depends on a number of factors, including:

- interest rates on our loans compared to market interest rates;
- the borrower credit risk classification;
- loan-to-value ratios, loan terms, underwriting and documentation; and
- general economic conditions.

We make certain representations and warranties, and are subject to various affirmative and negative financial and other covenants, under the agreements covering the sale of our mortgage loans regarding, among other things, the loans' compliance with laws and regulations, their conformity with the ultimate investors' underwriting standards and the accuracy of information. In the event of a breach of these representations, warranties or covenants or in the event of an early payment default, we may be required to repurchase the loans and indemnify the loan purchaser for damages caused by that breach. We have implemented strict procedures to ensure quality control and conformity to underwriting standards and minimize the risk of being required to repurchase loans. We have been required to repurchase loans we have sold from time to time; however, these repurchases have not had a material impact on our results of operations.

We intend to make distributions to our stockholders to comply with the various requirements to maintain our REIT status and to minimize or avoid corporate income tax and the nondeductible excise tax. However, differences in timing between the recognition of REIT taxable income and the actual receipt of cash could require us to sell assets or to borrow funds on a short-term basis to meet the REIT distribution requirements and to avoid corporate income tax and the nondeductible excise tax.

Certain of our assets may generate substantial mismatches between REIT taxable income and available cash. These assets could include mortgage-backed securities we hold that have been issued at a discount and require the accrual of taxable income in advance of the receipt of cash. As a result, our REIT taxable income may exceed our cash available for distribution and the requirement to distribute a substantial portion of our net taxable income could cause us to:

- sell assets in adverse market conditions;
- borrow on unfavorable terms; or
- distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt, in order to comply with the REIT distribution requirements.

Inflation

For the periods presented herein, inflation has been relatively low and we believe that inflation has not had a material effect on our results of operations. The impact of inflation is primarily reflected in the increased costs of our operations. Virtually all our assets and liabilities are financial in nature. Our consolidated financial statements and corresponding notes thereto have been prepared in accordance with GAAP, which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. As a result, interest rates and other factors influence our performance far more than inflation. Inflation affects our operations primarily through its effect on interest rates, since interest rates typically increase during periods of high inflation and decrease during periods of low inflation. During periods of increasing interest rates, demand for mortgages and a borrower's ability to qualify for mortgage financing in a purchase transaction may be adversely affected. During periods of decreasing interest rates, borrowers may prepay their mortgages, which in turn may adversely affect our yield and subsequently the value of our portfolio of mortgage assets.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates, credit spreads, foreign currency exchange rates, commodity prices and equity prices. Because we are invested solely in U.S.-dollar denominated instruments, primarily residential mortgage instruments, and our borrowings are also domestic and U.S. dollar denominated, we are not subject to foreign currency exchange, or commodity and equity price risk; the primary market risk that we are exposed to is interest rate risk and its related ancillary risks. Interest rate risk is highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. All of our market risk sensitive assets, liabilities and related derivative positions are for non-trading purposes only.

Management recognizes the following primary risks associated with our business and the industry in which we conduct business:

- Interest rate and market (fair value) risk
- Credit spread risk
- Liquidity and funding risk
- Prepayment risk
- Credit risk

Interest Rate Risk

Our primary interest rate exposure relates to the portfolio of adjustable-rate mortgage loans and mortgage-backed securities we acquire, as well as our variable-rate borrowings and related interest rate swaps and caps. Interest rate risk is defined as the sensitivity of our current and future earnings to interest rate volatility, variability of spread relationships, the difference in re-pricing intervals between our assets and liabilities and the effect that interest rates may have on our cash flows, especially the speed at which prepayments occur on our residential mortgage related assets.

Changes in the general level of interest rates can affect our net interest income, which is the difference between the interest income earned on interest earning assets and our interest expense incurred in connection with our interest bearing debt and liabilities. Changes in interest rates can also affect, among other things, our ability to originate and acquire loans and securities, the value of our loans, mortgage pools and mortgage-backed securities, and our ability to realize gains from the resale and settlement of such originated loans.

In our investment portfolio, our primary market risk is interest rate risk. The level of risk in our investment portfolio posed by interest rates is subject to the sensitivity of our portfolio to movement in interest rates, including the effect on future earnings potential, prepayments, valuations and overall liquidity. We attempt to manage interest rate risk by adjusting portfolio compositions, liability maturities and utilizing interest rate derivatives including interest rate swaps and caps. Management's goal is to maximize the earnings potential of the portfolio while maintaining long term stable portfolio valuations.

We utilize a model based risk analysis system to assist in projecting portfolio performances over a scenario of different interest rates. The model incorporates shifts in interest rates, changes in prepayments and other factors impacting the valuations of our financial securities, including mortgage-backed securities, repurchase agreements, interest rate swaps and interest rate caps.

Based on the results of this model, as of March 31, 2006, an instantaneous shift of 100 basis points in interest rates would result in an approximate decrease in the net interest spread by 25-30 basis points as compared to our base line projections over the next year. Net interest spread is net interest income (gross interest income less amortization) less net interest expense (interest expense adjusted for hedging income or expense).

The following tables set forth information about financial instruments (dollar amounts in thousands):

		March 31, 2006	
	Notional Amount	Carrying Amount	Estimated Fair Value
Investment securities available for sale	\$ 493,045	\$ 485,483	\$ 485,483
Mortgage loans held for investment	—	—	—
Mortgage loans held in the securitization trusts	735,626	740,546	737,730
Mortgage loans held for sale	114,064	114,254	114,362
Commitments and contingencies:			
Interest rate lock commitments	262,913	(585)	(585)
Forward loan sales contracts	182,702	536	536
Interest rate swaps	652,000	6,043	6,043
Interest rate caps	1,791,431	4,162	4,162

	December 31, 2005		
	Notional Amount	Carrying Amount	Estimated Fair Value
Investment securities available for sale	\$ 719,701	\$ 716,482	\$ 716,482
Mortgage loans held for investment	4,054	4,060	4,079
Mortgage loans held in the securitization trusts	771,451	776,610	775,311
Mortgage loans held for sale	108,244	108,271	109,252
Commitments and contingencies:			
Interest rate lock commitments - loan commitments	130,320	123	123
Interest rate lock commitments - mortgage loans held for sale	108,109	(14)	(14)
Forward loan sales contracts	201,771	(380)	(380)
Interest rate swaps	645,000	6,383	6,383
Interest rate caps	1,858,860	3,340	3,340

The impact of changing interest rates may be mitigated by portfolio prepayment activity that we closely monitor and the portfolio funding strategies we employ. First, our adjustable rate borrowings may react to changes in interest rates before our adjustable rate assets because the weighted average next repricing dates on the related borrowings may have shorter time periods than that of the adjustable rate assets. Second, interest rates on adjustable rate assets may be limited to a “periodic cap” or an increase of typically 1% or 2% per adjustment period, while our borrowings do not have comparable limitations. Third, our adjustable rate assets typically lag changes in the applicable interest rate indices by 45 days, due to the notice period provided to adjustable rate borrowers when the interest rates on their loans are scheduled to change.

In a period of declining interest rates or nominal differences between long-term and short-term interest rates, the rate of prepayment on our mortgage assets may increase. Increased prepayments would cause us to amortize any premiums paid for our mortgage assets faster, thus resulting in a reduced net yield on our mortgage assets. Additionally, to the extent proceeds of prepayments cannot be reinvested at a rate of interest at least equal to the rate previously earned on such mortgage assets, our earnings may be adversely affected.

Conversely, if interest rates rise or if the differences between long-term and short-term interest rates increase, the rate of prepayment on our mortgage assets may decrease. Decreased prepayments would cause us to amortize the premiums paid for our ARM assets over a longer time period, thus resulting in an increased net yield on our mortgage assets. Therefore, in rising interest rate environments where prepayments are declining, not only would the interest rate on the ARM Assets portfolio increase to re-establish a spread over the higher interest rates, but the yield also would rise due to slower prepayments. The combined effect could significantly mitigate other negative effects that rising short-term interest rates might have on earnings.

Interest rates can also affect our net return on hybrid adjustable rate (“hybrid ARM”) securities and loans net of the cost of financing hybrid ARMs. We continually monitor and estimate the duration of our hybrid ARMs and have a policy to hedge the financing of the hybrid ARMs such that the net duration of the hybrid ARMs, our borrowed funds related to such assets, and related hedging instruments are less than one year. During a declining interest rate environment, the prepayment of hybrid ARMs may accelerate (as borrowers may opt to refinance at a lower rate) causing the amount of fixed-rate financing to increase relative to the amount of hybrid ARMs, possibly resulting in a decline in our net return on hybrid ARMs as replacement hybrid ARMs may have a lower yield than those being prepaid. Conversely, during an increasing interest rate environment, hybrid ARMs may prepay slower than expected, requiring us to finance a higher amount of hybrid ARMs than originally forecast and at a time when interest rates may be higher, resulting in a decline in our net return on hybrid ARMs. Our exposure to changes in the prepayment speed of hybrid ARMs is mitigated by regular monitoring of the outstanding balance of hybrid ARMs and adjusting the amounts anticipated to be outstanding in future periods and, on a regular basis, making adjustments to the amount of

our fixed-rate borrowing obligations for future periods.

Interest rate changes can also affect the availability and pricing of adjustable rate assets, which affects our origination activity and investment opportunities. During a rising interest rate environment, there may be less total loan origination activity, particularly for refinancings. At the same time, a rising interest rate environment may result in a larger percentage of adjustable rate products being originated, mitigating the impact of lower overall loan origination activity. In addition, our focus on purchase mortgages as opposed to refinancings also mitigates the volatility of our origination volume as refinancing volume is typically a function of lower interest rates, whereas, purchase mortgage volume has historically remained relatively static during interest rate cycles. Conversely, during a declining interest rate environment total loan origination activity may rise with many of the borrowers desiring fixed-rate mortgage products. Although adjustable rate product origination as a percentage of total loan origination may decline during these periods, the increased loan origination and refinancing volume in the industry may produce sufficient investment opportunities. Additionally, a flat yield curve may be an adverse environment for adjustable rate products because the incentive for a borrower to choose an adjustable rate product over a longer term fixed-rate mortgage loan is minimized and, conversely, in a steep yield curve environment, adjustable rate products may enjoy an above average advantage over longer term fixed-rate mortgage loans, increasing our investment opportunities.

As the rate environment changes, the impact on origination volume and the type of loan product that is favored is mitigated, in part, by our ability to operate in our two business segments. In periods where adjustable rate product is favored, our mortgage portfolio management segment, which invests in such mortgage loans, will benefit from a larger selection of loan product for its portfolio and the inherent lower cost basis and resultant wider net margin. Our mortgage lending segment, regardless of whether adjustable rate or fixed rate product is favored, will continue to originate such loans and will continue to sell to third parties all fixed rate product; as a result, in periods where fixed rate product is favored, our origination segment may see increased revenues as such fixed product is sold to third parties.

Interest rate changes may also impact our net book value as our securities, certain mortgage loans and related hedge derivatives are marked-to-market each quarter. Generally, as interest rates increase, the value of our fixed income investments, such as mortgage loans and mortgage-backed securities, decreases and as interest rates decrease, the value of such investments will increase. We seek to hedge to some degree changes in value attributable to changes in interest rates by entering into interest rate swaps and other derivative instruments. In general, we would expect that, over time, decreases in value of our portfolio attributable to interest rate changes will be offset to some degree by increases in value of our interest rate swaps, and vice versa. However, the relationship between spreads on securities and spreads on swaps may vary from time to time, resulting in a net aggregate book value increase or decline. However, unless there is a material impairment in value that would result in a payment not being received on a security or loan, changes in the book value of our portfolio will not directly affect our recurring earnings or our ability to make a distribution to our stockholders.

In order to minimize the negative impacts of changes in interest rates on earnings and capital, we closely monitor our asset and liability mix and utilize interest rate swaps and caps, subject to the limitations imposed by the REIT qualification tests.

Movements in interest rates can pose a major risk to us in either a rising or declining interest rate environment. We depend on substantial borrowings to conduct our business. These borrowings are all made at variable interest rate terms that will increase as short term interest rates rise. Additionally, when interest rates rise, mortgage loans held for sale and any applications in process with interest rate lock commitments, or IRLCs, decrease in value. To preserve the value of such loans or applications in process with IRLCs, we may enter into forward sale loan contracts, or FSLCs, to be settled at future dates with fixed prices.

When interest rates decline, loan applicants may withdraw their open applications on which we have issued an IRLC. In those instances, we may be required to purchase loans at current market prices to fulfill existing FSLCs, thereby incurring losses upon sale.

We monitor our mortgage loan pipeline closely and on occasion may choose to renegotiate locked loan terms with a borrower to prevent withdrawal of open applications and mitigate the associated losses.

In the event that we do not deliver the FSLCs or exercise our option contracts, the instruments can be settled on a net basis. Net settlement entails paying or receiving cash based upon the change in market value of the existing instrument. All FSLCs and option contracts to buy securities are to be contractually settled within six months of the balance sheet date. FSLCs and options contracts for individual loans generally must be settled within 60 days.

Our hedging transactions using derivative instruments also involve certain additional risks such as counterparty credit risk, the enforceability of hedging contracts and the risk that unanticipated and significant changes in interest rates will cause a significant loss of basis in the contract. The counterparties to our derivative arrangements are major financial institutions and securities dealers that are well capitalized with high credit ratings and with which we may also have other financial relationships. While we do not anticipate nonperformance by any counterparty, we are exposed to potential credit losses in the event the counterparty fails to perform. Our exposure to credit risk in the event of default by a counterparty is the difference between the value of the contract and the current market price. There can

be no assurance that we will be able to adequately protect against the forgoing risks and will ultimately realize an economic benefit that exceeds the related expenses incurred in connection with engaging in such hedging strategies.

While we have not experienced any significant credit losses, in the event of a significant rising interest rate environment and/or economic downturn, mortgage and loan defaults may increase and result in credit losses that would adversely affect our liquidity and operating results.

Credit Spread Exposure

The mortgage-backed securities we currently, and will in the future, own are also subject to spread risk. The majority of these securities will be adjustable-rate securities that are valued based on a market credit spread to U.S. Treasury security yields. In other words, their value is dependent on the yield demanded on such securities by the market based on their credit relative to U.S. Treasury securities. Excessive supply of such securities combined with reduced demand will generally cause the market to require a higher yield on such securities, resulting in the use of a higher or wider spread over the benchmark rate (usually the applicable U.S. Treasury security yield) to value such securities. Under such conditions, the value of our securities portfolio would tend to decline. Conversely, if the spread used to value such securities were to decrease or tighten, the value of our securities portfolio would tend to increase. Such changes in the market value of our portfolio may affect our net equity, net income or cash flow directly through their impact on unrealized gains or losses on available-for-sale securities, and therefore our ability to realize gains on such securities, or indirectly through their impact on our ability to borrow and access capital.

Furthermore, shifts in the U.S. Treasury yield curve, which represents the market's expectations of future interest rates, would also affect the yield required on our securities and therefore their value. These shifts, or a change in spreads, would have a similar effect on our portfolio, financial position and results of operations.

Market (Fair Value) Risk

For certain of the financial instruments that we own, fair values will not be readily available since there are no active trading markets for these instruments as characterized by current exchanges between willing parties. Accordingly, fair values can only be derived or estimated for these investments using various valuation techniques, such as computing the present value of estimated future cash flows using discount rates commensurate with the risks involved. However, the determination of estimated future cash flows is inherently subjective and imprecise. Minor changes in assumptions or estimation methodologies can have a material effect on these derived or estimated fair values. These estimates and assumptions are indicative of the interest rate environments as of December 31, 2005 and do not take into consideration the effects of subsequent interest rate fluctuations.

We note that the values of our investments in mortgage-backed securities, and in derivative instruments, primarily interest rate hedges on our debt, will be sensitive to changes in market interest rates, interest rate spreads, credit spreads and other market factors. The value of these investments can vary and has varied materially from period to period. Historically, the values of our mortgage loan portfolio have tended to vary inversely with those of its derivative instruments.

The following describes the methods and assumptions we use in estimating fair values of our financial instruments:

Fair value estimates are made as of a specific point in time based on estimates using present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and the judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors.

Changes in assumptions could significantly affect these estimates and the resulting fair values. Derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in an immediate sale of the instrument. Also, because of differences in methodologies and assumptions used to estimate fair values, the fair values used by us should not be compared to those of other companies.

The fair values of the Company's residential mortgage-backed securities are generally based on market prices provided by five to seven dealers who make markets in these financial instruments. If the fair value of a security is not reasonably available from a dealer, management estimates the fair value based on characteristics of the security that the Company receives from the issuer and on available market information.

The fair value of loans held for investment are determined by the loan pricing sheet which is based on internal management pricing and third party competitors in similar products and markets.

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The fair value of commitments to fund with agreed upon rates are estimated using the fees and rates currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current market interest rates and the existing committed rates.

The fair value of commitments to deliver mortgages is estimated using current market prices for dealer or investor commitments relative to our existing positions.

The market risk management discussion and the amounts estimated from the analysis that follows are forward-looking statements that assume that certain market conditions occur. Actual results may differ materially from these projected results due to changes in our ARM portfolio and borrowings mix and due to developments in the domestic and global financial and real estate markets. Developments in the financial markets include the likelihood of changing interest rates and the relationship of various interest rates and their impact on our ARM portfolio yield, cost of funds and cash flows. The analytical methods that we use to assess and mitigate these market risks should not be considered projections of future events or operating performance.

As a financial institution that has only invested in U.S.-dollar denominated instruments, primarily residential mortgage instruments, and has only borrowed money in the domestic market, we are not subject to foreign currency exchange or commodity price risk. Rather, our market risk exposure is largely due to interest rate risk. Interest rate risk impacts our interest income, interest expense and the market value on a large portion of our assets and liabilities. The management of interest rate risk attempts to maximize earnings and to preserve capital by minimizing the negative impacts of changing market rates, asset and liability mix, and prepayment activity.

The table below presents the sensitivity of the market value of our portfolio using a discounted cash flow simulation model. Application of this method results in an estimation of the percentage change in the market value of our assets, liabilities and hedging instruments per 100 basis point (“bp”) shift in interest rates expressed in years - a measure commonly referred to as “duration”. Positive portfolio duration indicates that the market value of the total portfolio will decline if interest rates rise and increase if interest rates decline. The closer duration is to zero, the less interest rate changes are expected to affect earnings. Included in the table is a “Base Case” duration calculation for an interest rate scenario that assumes future rates are those implied by the yield curve as of March 31, 2006. The other two scenarios assume interest rates are instantaneously 100 and 200 bps higher than those implied by market rates as of March 31, 2006.

The use of hedging instruments is a critical part of our interest rate risk management strategies, and the effects of these hedging instruments on the market value of the portfolio are reflected in the model’s output. This analysis also takes into consideration the value of options embedded in our mortgage assets including constraints on the repricing of the interest rate of ARM Assets resulting from periodic and lifetime cap features, as well as prepayment options. Assets and liabilities that are not interest rate-sensitive such as cash, payment receivables, prepaid expenses, payables and accrued expenses are excluded. The duration calculated from this model is a key measure of the effectiveness of our interest rate risk management strategies.

Changes in assumptions including, but not limited to, volatility, mortgage and financing spreads, prepayment behavior, defaults, as well as the timing and level of interest rate changes will affect the results of the model. Therefore, actual results are likely to vary from modeled results.

Net Portfolio Duration March 31, 2006

		Basis point increase	
	Base	+100	+200
Mortgage Portfolio	1.28 years	1.69 years	1.84 years
Borrowings (including hedges)	0.41 years	0.41years	0.41years

Net	0.87 years	1.29 years	1.43 years
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It should be noted that the model is used as a tool to identify potential risk in a changing interest rate environment but does not include any changes in portfolio composition, financing strategies, market spreads or changes in overall market liquidity.

Based on the assumptions used, the model output suggests a very low degree of portfolio price change given increases in interest rates, which implies that our cash flow and earning characteristics should be relatively stable for comparable changes in interest rates.

Although market value sensitivity analysis is widely accepted in identifying interest rate risk, it does not take into consideration changes that may occur such as, but not limited to, changes in investment and financing strategies, changes in market spreads, and changes in business volumes. Accordingly, we make extensive use of an earnings simulation model to further analyze our level of interest rate risk.

There are a number of key assumptions in our earnings simulation model. These key assumptions include changes in market conditions that affect interest rates, the pricing of ARM products, the availability of ARM products, and the availability and the cost of financing for ARM products. Other key assumptions made in using the simulation model include prepayment speeds and management's investment, financing and hedging strategies, and the issuance of new equity. We typically run the simulation model under a variety of hypothetical business scenarios that may include different interest rate scenarios, different investment strategies, different prepayment possibilities and other scenarios that provide us with a range of possible earnings outcomes in order to assess potential interest rate risk. The assumptions used represent our estimate of the likely effect of changes in interest rates and do not necessarily reflect actual results. The earnings simulation model takes into account periodic and lifetime caps embedded in our ARM Assets in determining the earnings at risk.

Liquidity and Funding Risk

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain investments, pay dividends to our stockholders and other general business needs. We recognize the need to have funds available for our operating businesses and our investment in mortgage loans until the settlement or sale of mortgages with us or with other investors. It is our policy to have adequate liquidity at all times to cover normal cyclical swings in funding availability and mortgage demand and to allow us to meet abnormal and unexpected funding requirements. We plan to meet liquidity through normal operations with the goal of avoiding unplanned sales of assets or emergency borrowing of funds.

Our mortgage lending operations require significant cash to fund loan originations. Our warehouse lending arrangements, including repurchase agreements, support the mortgage lending operation. Generally, our warehouse mortgage lenders allow us to borrow between 96% and 100% of the outstanding principal. Funding for the difference - generally 2% of the principal - must come from other cash inflows. Our operating cash inflows are predominately from cash flow from mortgage securities, principal and interest on mortgage loans, third party sales of originated loans that do not fit our portfolio investment criteria, and fee income from loan originations. Other than access to our financing facilities, proceeds from equity offerings have been used to support operations.

Loans financed with warehouse, aggregation and repurchase credit facilities are subject to changing market valuations and margin calls. The market value of our loans is dependent on a variety of economic conditions, including interest rates (and borrower demand) and end investor desire and capacity. There is no certainty that market values will remain constant. To the extent the value of the loans declines significantly, we would be required to repay portions of the amounts we have borrowed. The derivative financial instruments we use also subject us to "margin call" risk based on their market values. Under our interest rate swaps, we pay a fixed rate to the counterparties while they pay us a floating rate. When floating rates are low, on a net basis we pay the counterparty and visa-versa. In a declining interest rate environment, we would be subject to additional exposure for cash margin calls. However, the asset side of the balance sheet should increase in value in a further declining interest rate scenario. Most of our interest rate swap agreements provide for a bi-lateral posting of margin, the effect being that on either side of the valuation for such swaps, the counterparty can call/post margin. Unlike typical unilateral posting of margin only in the direction of the swap counterparty, this provides us with additional flexibility in meeting our liquidity requirements as we can call margin on our counterparty as swap values increase.

Incoming cash on our mortgage loans and securities is a principal source of cash. The volume of cash depends on, among other things, interest rates. The volume and quality of such incoming cash flows can be impacted by severe and immediate changes in interest rates. If rates increase dramatically, our short-term funding costs will increase quickly.

While many of our loans are hybrid ARMs, they typically will not reset as quickly as our funding costs creating a reduction in incoming cash flow. Our derivative financial instruments are used to mitigate the effect of interest rate volatility.

We manage liquidity to ensure that we have the continuing ability to maintain cash flows that are adequate to fund operations and meet commitments on a timely and cost-effective basis. Our principal sources of liquidity are the repurchase agreement market, the issuance of CDOs, whole loan financing facilities as well as principal and interest payments from ARM Assets. We believe that our liquidity level is in excess of that necessary to satisfy our operating requirements and we expect to continue to use diverse funding sources to maintain our financial flexibility.

Prepayment Risk

When borrowers repay the principal on their mortgage loans before maturity or faster than their scheduled amortization, the effect is to shorten the period over which interest is earned, and therefore, reduce the cash flow and yield on our ARM Assets. Furthermore, prepayment speeds exceeding or lower than our reasonable estimates for similar assets, impact the effectiveness of any hedges we have in place to mitigate financing and/or fair value risk. Generally, when market interest rates decline, borrowers have a tendency to refinance their mortgages. The higher the interest rate a borrower currently has on his or her mortgage the more incentive he or she has to refinance the mortgage when rates decline. Additionally, when a borrower has a low loan-to-value ratio, he or she is more likely to do a “cash-out” refinance. Each of these factors increases the chance for higher prepayment speeds during the term of the loan.

We generally do not originate loans that provide for a prepayment penalty if the loan is fully or partially paid off prior to scheduled maturity. We mitigate prepayment risk by constantly evaluating our ARM portfolio at a range of reasonable market prepayment speeds observed at the time for assets with a similar structure, quality and characteristics. Furthermore, we stress-test the portfolio as to prepayment speeds and interest rate risk in order to develop an effective hedging strategy.

For the three months ended March 31, 2006, our mortgage assets paid down at an approximate average annualized Constant Paydown Rate (“CPR”) of 18%, compared to 31% for the three months ended December 31, 2005, and 22% for the three months ended March 31, 2005. When prepayment experience increases, we have to amortize our premiums over a shorter time period, resulting in a reduced yield to maturity on our ARM Assets. Conversely, if actual prepayment experience decreases, we would amortize the premium over a longer time period, resulting in a higher yield to maturity. We monitor our prepayment experience on a monthly basis and adjust the amortization of the net premium, as appropriate.

Credit Risk

Credit risk is the risk that we will not fully collect the principal we have invested in mortgage loans or securities. As previously noted, we are predominately a high-quality loan originator and our underwriting guidelines are intended to evaluate the credit history of the potential borrower, the capacity and willingness of the borrower to repay the loan, and the adequacy of the collateral securing the loan.

We mitigate credit risk by directly underwriting our own loan originations and re-underwriting any loans originated through our correspondent networks. With regard to the purchased mortgage security portfolio, we rely on the guaranties of FNMA, FHLMC, GNMA or the AAA/Aaa rating established by the Rating Agencies.

With regard to loan originations, factors such as FICO score, LTV, debt-to-income ratio, and other borrower and collateral factors are evaluated. Credit enhancement features, such as mortgage insurance may also be factored into the credit decision. In some instances, when the borrower exhibits strong compensating factors, exceptions to the underwriting guidelines may be approved.

Our loan originations are concentrated in geographic markets that are generally supply constrained. We believe that these markets have less exposure to sudden declines in housing values than those markets which have an oversupply of housing. In addition, in the supply constrained housing markets we focus on, housing values tend to be high and, generally, underwriting standards for higher value homes require lower LTVs and thus more owner equity further mitigating credit risk. Finally, the higher housing value/mortgage loan financing markets allow for more cost efficient origination volume in terms of dollars and units. For our mortgage securities that are purchased, we rely on the Fannie Mae, Freddie Mac, Ginnie Mae and AAA-rating of the securities supplemented with additional due diligence.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management timely. An evaluation was performed under the supervision and with the participation of our management, including our Co-Chief Executive Officers and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of March 31, 2006. Based upon that evaluation, our management, including our Co-Chief Executive Officers and our Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of March 31, 2006.

Changes in Internal Control Over Financial Reporting. There has been no change in our internal control over financial reporting during the quarter ended March 31, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II-OTHER INFORMATION**Item 1. Legal Proceedings**

From time to time, we are involved in legal proceedings in the ordinary course of business. We do not believe that any of our current legal proceedings, individually or in the aggregate, will have a material adverse effect on our operations or financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**ISSUER PURCHASES OF EQUITY SECURITIES**

Period	Total Number of Shares Purchased⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan⁽²⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Publicly Announced Plan
1/1/2006 to 1/31/2006	¾	¾	¾	\$ 10,000,000
2/1/2006 to 2/28/2006	¾	¾	¾	¾
3/1/2006 to 3/31/2006	67,000	4.43	67,000	9,703,190
Total				

(1) All of shares purchased by the Company during the three months ended March 31, 2006 were purchased through its previously publicly announced plan, through a broker on the open market.

(2) The Company announced in Form 8-K on November 10, 2005 that its Board of Directors approved a share repurchase plan authorizing the Company to repurchase up to \$10.0 million of the Company's outstanding common stock. The plan, funded from available capital, provides that the Company, at management's discretion, is authorized to repurchase shares of Company common stock from time to time, in the open market or through privately negotiated transactions through December 31, 2015. The plan may be temporarily or permanently suspended or discontinued at any time.

Item 6. Exhibits

No.	Description
3.1	Articles of Amendment and Restatement of the Registrant (incorporated by reference to Exhibit 3.01 to our Registration Statement on Form S-11/A filed on June 18, 2004 (Registration No. 333-111668)).
3.2(a)	Bylaws of the Registrant (incorporated by reference to Exhibit 3.02 to our Registration Statement on Form S-11/ A filed on June 18, 2004 (Registration No. 333-111668)).
3.2(b)	Amendment No. 1 to bylaws of Registrant (incorporated by reference to Exhibit 3.2(b) to Registrant's Annual Report on Form 10-K filed on March 16, 2006)
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.01 to our Registration Statement on Form S-11/ A filed on June 18, 2004 (Registration No. 333-111668)).

4.2(a) Junior Subordinated Indenture between The New York Mortgage Company, LLC and JPMorgan Chase Bank, National Association, as trustee, dated September 1, 2005 (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on September 6, 2005).

4.2(b) Amended and Restated Trust Agreement among The New York Mortgage Company, LLC, JPMorgan Chase Bank, National Association, Chase Bank USA, National Association and the Administrative Trustees named therein, dated September 1, 2005 (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on September 6, 2005).

10.1 Summary of 2005 Cash Bonuses Paid to Executive Officers

10.110 Amendment No. 1 to Amended and Restated Master Repurchase Agreement among Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, New York Mortgage Funding, LLC and New York Mortgage Trust, Inc. dated as of April 29, 2005.

10.111 Amendment No. 2 to Amended and Restated Master Repurchase Agreement among Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, New York Mortgage Funding, LLC and New York Mortgage Trust, Inc. dated as of May 10, 2005.

10.112 Amendment No. 3 to Amended and Restated Master Repurchase Agreement among Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, New York Mortgage Funding, LLC and New York Mortgage Trust, Inc. dated as of July 18, 2005.

10.113 Amendment No. 4 to Amended and Restated Master Repurchase Agreement among Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, New York Mortgage Funding, LLC and New York Mortgage Trust, Inc. dated as of August 5, 2005.

10.114 Amendment No. 5 to Amended and Restated Master Repurchase Agreement among Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, New York Mortgage Funding, LLC and New York Mortgage Trust, Inc. dated as of September 6, 2005.

10.115 Amendment No. 6 to Amended and Restated Master Repurchase Agreement among Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, New York Mortgage Funding, LLC and New York Mortgage Trust, Inc. dated as of November 14, 2005.

10.116 Amendment No. 7 to Amended and Restated Master Repurchase Agreement among Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, New York Mortgage Funding, LLC and New York Mortgage Trust, Inc. dated as of March 14, 2006.

10.117 Amendment No. 8 to Amended and Restated Master Repurchase Agreement among Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, New York Mortgage Funding, LLC and New York Mortgage Trust, Inc. dated as of March 24, 2006.

10.118 Amendment No. 9 to Amended and Restated Master Repurchase Agreement among Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, New York Mortgage Funding, LLC and New York Mortgage Trust, Inc. dated as of May 10, 2006.

31.1 Certification of Co-Chief Executive Officer pursuant to Rule 13a - 14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Co-Chief Executive Officer pursuant to Rule 13a - 14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.3 Certification of Chief Financial Officer pursuant to Rule 13a - 14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Co-Chief Executive Officers pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.).

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended).

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.

Date: May 10, 2006

/s/ Steven B. Schnall

Steven B. Schnall
Chairman, President and Co-Chief Executive
Officer

Date: May 10, 2006

/s/ David A. Akre

David A. Akre
Vice Chairman and Co-Chief Executive
Officer

Date: May 10, 2006

/s/ Michael I. Wirth

Michael I. Wirth
Executive Vice President and Chief Financial
Officer

EXHIBIT INDEX

No.	Description
3.1	Articles of Amendment and Restatement of the Registrant (incorporated by reference to Exhibit 3.01 to our Registration Statement on Form S-11/A filed on June 18, 2004 (Registration No. 333-111668)).
3.2(a)	Bylaws of the Registrant (incorporated by reference to Exhibit 3.02 to our Registration Statement on Form S-11/ A filed on June 18, 2004 (Registration No. 333-111668)).
3.2(b)	Amendment No. 1 to bylaws of Registrant (incorporated by reference to Exhibit 3.2(b) to Registrant's Annual Report on Form 10-K filed on March 16, 2006)
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.01 to our Registration Statement on Form S-11/ A filed on June 18, 2004 (Registration No. 333-111668)).
4.2(a)	Junior Subordinated Indenture between The New York Mortgage Company, LLC and JPMorgan Chase Bank, National Association, as trustee, dated September 1, 2005 (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on September 6, 2005).
4.2(b)	Amended and Restated Trust Agreement among The New York Mortgage Company, LLC, JPMorgan Chase Bank, National Association, Chase Bank USA, National Association and the Administrative Trustees named therein, dated September 1, 2005 (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on September 6, 2005).
10.1	Summary of 2005 Cash Bonuses Paid to Executive Officers
10.110	Amendment No. 1 to Amended and Restated Master Repurchase Agreement among Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, New York Mortgage Funding, LLC and New York Mortgage Trust, Inc. dated as of April 29, 2005.
10.111	Amendment No. 2 to Amended and Restated Master Repurchase Agreement among Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, New York Mortgage Funding, LLC and New York Mortgage Trust, Inc. dated as of May 10, 2005.
10.112	Amendment No. 3 to Amended and Restated Master Repurchase Agreement among Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, New York Mortgage Funding, LLC and New York Mortgage Trust, Inc. dated as of July 18, 2005.
10.113	Amendment No. 4 to Amended and Restated Master Repurchase Agreement among Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, New York Mortgage Funding, LLC and New York Mortgage Trust, Inc. dated as of August 5, 2005.
10.114	Amendment No. 5 to Amended and Restated Master Repurchase Agreement among Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, New York Mortgage Funding, LLC and New York Mortgage Trust, Inc. dated as of September 6, 2005.
10.115	Amendment No. 6 to Amended and Restated Master Repurchase Agreement among Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, New York Mortgage Funding, LLC and New York Mortgage Trust, Inc. dated as of November 14,

2005.

- 10.116 Amendment No. 7 to Amended and Restated Master Repurchase Agreement among Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, New York Mortgage Funding, LLC and New York Mortgage Trust, Inc. dated as of March 14, 2006.
- 10.117 Amendment No. 8 to Amended and Restated Master Repurchase Agreement among Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, New York Mortgage Funding, LLC and New York Mortgage Trust, Inc. dated as of March 24, 2006.
- 10.118 Amendment No. 9 to Amended and Restated Master Repurchase Agreement among Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, New York Mortgage Funding, LLC and New York Mortgage Trust, Inc. dated as of May 10, 2006
- 31.1 Certification of Co-Chief Executive Officer pursuant to Rule 13a - 14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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