NEW YORK MORTGAGE TRUST INC
Form 10-Q
May 15, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2007

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	**47-0934168**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1301 Avenue of the Americas, New York, New York 10019
(Address of Principal Executive Office) (Zip Code)

(212) 792-0107
(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 x 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 x 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 ¨ No x

The number of shares of the registrant’s common stock, par value $.01 per share, outstanding on May 1, 2007 was 18,100,531.

NEW YORK MORTGAGE TRUST, INC.

FORM 10-Q

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PART I: FINANCIAL INFORMATION
Item 1. Financial Statements
NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollar amounts in thousands)

	March 31, 2007 (unaudited)	December 31, 2006
ASSETS		
Cash and cash equivalents	$ 1,734	$ 969
Restricted cash	2,979	3,151
Investment securities - available for sale	447,063	488,962
Accounts and accrued interest receivable	18,272	5,189
Mortgage loans held in securitization trusts	544,046	588,160
Prepaid and other assets	20,544	20,951
Derivative assets	1,300	2,632
Assets related to discontinued operation	126,641	212,894
Total Assets	$ 1,162,579	$ 1,322,908
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Financing arrangements, portfolio investments	$ 434,894	$ 815,313
Collateralized debt obligations	501,853	197,447
Accounts payable and accrued expenses	6,569	5,871
Subordinated debentures	45,000	45,000
Derivative liabilities	183	—
Liabilities related to discontinued operation	108,960	187,705
Total liabilities	1,097,459	1,251,336
Commitments and Contingencies (note 13)		
Stockholders' Equity:		
Common stock, $0.01 par value, 400,000,000 shares authorized, 18,162,749 shares issued and 18,100,531 outstanding at March 31, 2007 and 18,325,187 shares issued and 18,077,880 outstanding at December 31, 2006	182	183
Additional paid-in capital	98,888	99,509
Accumulated other comprehensive loss	(5,470)	(4,381)
Accumulated deficit	(28,480)	(23,739)
Total stockholders' equity	65,120	71,572
Total Liabilities and Stockholders' Equity	$ 1,162,579	$ 1,322,908

See notes to consolidated financial statements.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended March 31,			
	2007		2006	
	(amounts, except per share amounts, in thousands) (unaudited)			
Revenue:				
Interest income investment securities and loans held in securitization trusts	$	13,713	$	17,584
Interest expense investment securities and loans held in securitization trusts		13,084		14,079
Net interest income from investment securities and loans held in securitization trusts		629		3.505
Subordinated debentures		882		885
Net interest (expense) income		(253)		2,620
Other expense:				
Realized loss on investment securities		—		(969)
Expenses:				
Salaries and benefits		345		250
Marketing and promotion		23		8
Data processing and communications		37		56
Professional fees		100		94
Depreciation and amortization		68		67
Other		74		87
Total expenses		647		562
(Loss) income from continuing operations		(900)		1,089
Loss from discontinued operation-net of tax		(3,841)		(2,885)
Net loss	$	(4,741)	$	(1,796)
Basic and diluted loss per share	$	(0.26)	$	(0.10)
Weighted average shares outstanding - basic and diluted		18,078		17,967

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, 2007					
	Common Stock	**Additional Paid-In Capital**	**Stockholders' Deficit**	**Accumulated Other Comprehensive (Loss)/Income**	**Comprehensive (Loss)/Income**	**Total**
	(dollar amounts in thousands) (unaudited)					
Balance, January 1, 2007 - Stockholders' Equity	$ 183	$ 99,509	$ (23,739)	$ (4,381)	—	$ 71,572
Net loss	—	—	(4,741)	—	$ (4,741)	(4,741)
Dividends declared	—	(909)	—	—	—	(909)
Vested restricted stock	(1)	288	—	—	—	287
Decrease in net unrealized loss on available for sale securities	—	—	—	241	241	241
Decrease in net unrealized gain on derivative instruments	—	—	—	(1,330)	(1,330)	(1,330)
Comprehensive loss	—	—	—	—	$ (5,830)	—
Balance, March 31, 2007 - Stockholders' Equity	$ 182	$ 98,888	$ (28,480)	$ (5,470)		$ 65,120

See notes to consolidated financial statements.

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NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended March 31,	
	2007	**2006**
	(dollar amounts in thousands) (unaudited)	
Cash Flows from Operating Activities:		
Net loss income	$ (4,741)	$ (1,796)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	490	565
Amortization of premium on investment securities and mortgage loans	564	446
Gain on sale of retail lending platform	(5,585)	—
Loss on sale of current period securitized loans	—	773
Loss on sale of securities and related hedges	—	969
Restricted stock compensation expense	287	264
Stock option grants - compensation expense	—	4
Deferred tax benefit	—	(2,916)
Change in value of derivatives	119	(125)
Loan losses	2,971	—
(Increase) decrease in operating assets:		
Purchase of mortgage loans held for sale	—	(213,367)
Origination of mortgage loans held for sale	(300,863)	(422,247)
Proceeds from sales of mortgage loans	345,205	628,314
Due from loan purchasers	26,948	20,612
Escrow deposits - pending loan closings	3,303	(1,513)
Accounts and accrued interest receivable	199	(2,353)
Prepaid and other assets	1,925	583
Increase (decrease) in operating liabilities:		
Due to loan purchasers	(4,656)	(21)
Accounts payable and accrued expenses	(74)	(5,861)
Other liabilities	(103)	307
Net cash provided by operating activities	65,989	2,638
Cash Flows from Investing Activities:		
Restricted cash	172	2,181
Purchase of investment securities	—	(124,896)
Principal repayments received on mortgage loans held in securitization trusts	43,809	40,405
Proceeds from sale of investment securities	—	159,040
Principal paydown on investment securities	41,945	54,475
Purchases of property and equipment	(369)	(626)
Disposal of fixed assets	485	—
Net cash provided by investing activities	86,042	130,579

See notes to consolidated financial statements.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - (continued)

	For the Three Months Ended March 31, 2007	2006
	(dollar amounts in thousands) (unaudited)	
Cash Flows from Financing Activities:		
Repurchase of common stock	—	(299)
Change in financing arrangements, net	(150,349)	(132,591)
Dividends paid	(917)	(3,834)
Net cash used in financing activities	(151,266)	(136,724)
Net Increase (Decrease) in Cash and Cash Equivalents	765	(3,507)
Cash and Cash Equivalents - Beginning of Period	969	9,056
Cash and Cash Equivalents - End of Period	$ 1,734	$ 5,549
Supplemental Disclosure		
Cash paid for interest	$ 16,171	$ 22,688
NON CASH INVESTING ACTIVITIES		
Non-cash purchase of investment securities	$ —	$ 60,000
Non Cash Financing Activities		
Dividends declared to be paid in subsequent period	$ 909	$ 2,547

See notes to consolidated financial statements.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007
(unaudited)

1. Summary of Significant Accounting Policies

Organization — New York Mortgage Trust, Inc. (“NYMT” or the “Company”) is a self-advised real estate investment trust ("REIT") that invests in and manages a portfolio of mortgage loans and mortgage-backed securities. Until March 31, 2007, when the Company sold substantially all of the assets of its mortgage origination business and exited the mortgage lending business, the Company originated mortgage loans through its wholly-owned subsidiary, The New York Mortgage Company, LLC (“NYMC”), which, following the transactions, remains one of the Company’s wholly-owned subsidiaries (see note 11).

The Company is organized and conducts its operations to qualify as a 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 March 31, 2007, we completed the sale of substantially all of the operating assets related to NYMC’s retail mortgage lending platform, to IndyMac Bank, F.S.B. (“Indymac”), a wholly-owned subsidiary of Indymac Bancorp, Inc., for a purchase price of $13.5 million in cash and the assumption of certain of our liabilities by Indymac. Included in the transaction, among other things, was the assumption by Indymac of leases held by NYMC for approximately 20 full service and approximately 10 satellite retail mortgage lending offices (excluding the lease for the Company’s corporate headquarters, which is being assigned, as previously announced, under a separate agreement to Lehman Brothers Holding, Inc.), the tangible personal property located in those approximately 30 retail mortgage lending offices, NYMC’s pipeline of residential mortgage loan applications (the “Pipeline Loans”), escrowed deposits related to the Pipeline Loans, customer lists and intellectual property and information technology systems used by NYMC in the conduct of its retail mortgage lending platform. Indymac assumed the obligations of NYMC under the Pipeline Loans and substantially all of NYMC’s liabilities under the purchased contracts and purchased assets arising after the closing date. Indymac has also agreed to pay (i) the first $500,000 in severance expenses with respect to “transferred employees” (as defined in the asset purchase agreement filed as Exhibit 10.62 to our Annual Report on Form 10-K) and (ii) severance expenses in excess of $1.1 million arising after the closing with respect to transferred employees. As part of the Indymac transaction, the Company has agreed, for a period of 18 months, not to compete with Indymac other than in the purchase, sale, or retention of mortgage loans. Indymac has hired substantially all of our branch employees and loan officers and a majority of NYMC employees based out of our corporate headquarters.

In connection with the sale of the assets of our wholesale mortgage origination platform assets on February 22, 2007 and the sale of the assets of our retail mortgage lending platform on March 31, 2007 (see note 11), during the fourth quarter of 2006, we classified our mortgage lending segment as a discontinued operation in accordance with the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 144 “Accounting for the Impairment or Disposal of Long-Lived Assets”. As a result, we have reported revenues and expenses related to the segment as a discontinued operation and the related assets and liabilities as assets and liabilities related to the discontinued operation for all periods presented in the accompanying consolidated financial statements. Certain assets, such as the deferred tax asset, and certain liabilities, such as subordinated debt and liabilities related to leased facilities not assigned to Indymac will become part of the ongoing operations of NYMT and accordingly, have not been classified as a discontinued operation in accordance with the provisions of SFAS No. 144. (See note 11).

While the Company sold substantially all of the assets of its wholesale and retail mortgage lending platforms and exited the mortgage lending business as of March 31, 2007, it retains certain liabilities associated with that former line

of business. Among these liabilities are the costs associated with the disposal of the mortgage loans held for sale, potential repurchase and indemnification obligations (including early payment defaults) on previously sold mortgage loans and remaining lease payment obligations on real and personal property.

Basis of Presentation — The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions are eliminated in consolidation. Certain prior period amounts have been reclassified to conform to current period classifications. In addition, certain previously reported discontinued operation balances have been reclassified to continuing operations, including restricted cash, derivative asset balance related to interest rate caps and certain accrued expenses.

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

Concurrent with the closing of the Company’s initial public offering (“IPO”) on June 24, 2004, 100,000 of the 2,750,000 shares exchanged for the equity interests of NYMC, were placed in escrow through December 31, 2004 and were available to satisfy any indemnification claims the Company may have had against Steven B. Schnall, the Company’s Chairman, and then President and Co-Chief Executive Officer, Joseph V. Fierro, the then Chief Operating Officer of NYMC, and each of their affiliates, as 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 amended the escrow agreement to extend 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. During 2006 the Company concluded that all indemnification claims related to the escrowed shares have been determined and that no additional losses were incurred by the Company as a result of defaults on any residential mortgage loans originated by NYMC and closed prior completion of the IPO. Accordingly, we have concluded that no further indemnification was necessary. The remaining 52,320 shares were then released from escrow.

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.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007
(unaudited)

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, and two letters of credit related to the Company’s lease of office space, including 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.

Accounts and accrued interest receivable — amounts include $13.5 million related to the sale of the retail mortgage lending segment to Indymac. On April 2, 2007, Indymac paid the Company $11.2 million in cash and established a $2.3 million escrow account to support warranties and indemnifications related to the sale. In addition, accrued interest receivable for investment securities and mortgage loans held in securitization trusts are also included.

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 fair value. Fair 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 adjustable rate mortgage (“ARM”) loans transferred to New York Mortgage Trust 2005-1, New York Mortgage Trust 2005-2 and New York Mortgage Trust 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 those used for mortgage loans held for investment. From time to time the Company may sell certain securities from its securitizations resulting in a permanent financing. See Collateralized Debt Obligations below for further description.

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.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007
(unaudited)

Loan Loss Reserves on Mortgage Loans. We established 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, loans held for investment, and loans held in securitization trusts.

Estimation involves the consideration of various credit-related factors including but not limited to, the current housing market conditions, loan-to-value ratios, delinquency status, historical credit loss severity rates, purchased mortgage insurance, the borrower's credit and other factors deemed to warrant consideration. Additionally, we look at the balance of any delinquent loan and compare that to the value of the property. As many of the loans involved in the current reserve process were funded in the past six to twelve months, we typically rely on the original appraised value of the property, unless there is evidence that the original appraisal should not be relied upon. If there is a doubt to the objectivity of the original property value assessment, we either utilize various internet based property data services to look at comparable properties in the same area, or consult with a realtor in the property's area.

Comparing the current loan balance to the original property value determines the current loan-to-value ("LTV") ratio of the loan. Generally we estimate that a first lien loan on a property that goes into a foreclosure process and becomes real estate owned ("REO"), results is the property being disposed of at approximately 68% of the property's original value. This estimate is based on management's long term experience in similar market conditions. Thus, for a first lien loan that is delinquent, we will adjust the property value down to approximately 68% of the original property value and compare that to the current balance of the loan. The difference, plus an estimate of past interest due, determines the base reserve taken for that loan. This base reserve for a particular loan may be adjusted if we are aware of specific circumstances that may affect the outcome of the loss mitigation process for that loan. Predominately, however, we use the base reserve number for our reserve.

Reserves for second liens are larger than that for first liens as second liens are in a junior position and only receive proceeds after the claims of the first lien holder are satisfied. As with first liens, we may occasionally alter the base reserve calculation but that is in a minority of the cases and only if we are aware of specific circumstances that pertain to that specific loan.

At March 31, 2007, we had a loan loss reserve of $1.2 million on mortgage loans held for sale, $2.1 million in reserves for indemnifications and repurchase requests and had incurred $3.2 million of loan losses during the three months ended March 31, 2007.

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 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, Mortgage Loans Held for Sale — Mortgage loans held for sale is typically financed with warehouse facilities that are collateralized by loans we originated or purchased 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 securities that are issued and secured by ARM loans. For financial reporting purposes, the ARM loans held as collateral are recorded as assets of the Company and the CDO is recorded as the Company's debt. Our CDO securitization transactions include interest rate caps which are held by the securitization trust and recorded as an asset or liability of the Company. (see note 9).

Securitized transactions — The Company, as transferor, securitizes mortgage loans and securities by transferring the loans or securities to entities ("Transferees") which generally qualify under GAAP as "qualifying special purpose entities" ("QSPE's") as defined under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities—a replacement of FASB Statement No. 125 ("Off Balance Sheet Securitizations")". The QSPEs issue investment grade and non-investment grade securities. Generally, the investment grade securities are sold to third party investors, and the Company retains the non-investment grade securities. If a transaction meets the requirements for sale recognition under GAAP, and the Transferee meets the requirements to be a QSPE, the assets transferred to the QSPE are considered sold, and gain or loss is recognized. The gain or loss is based on the price of the securities sold and the estimated fair value of any securities and servicing rights retained over the cost basis of the assets transferred net of transaction costs. If subsequently the Transferee fails to continue to qualify as a QSPE, or the Company obtains the right to purchase assets out of the Transferee, then the Company may have to include in its financial statements such assets, or potentially, all the assets of such Transferee.

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 lending and its mortgage-backed securities investment activities.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007
(unaudited)

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%. Ineffective portions, if any, of changes in the fair value or cash flow hedges are recognized in earnings.

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 SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended and interpreted, ("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 entered into contractual interest rate lock commitments ("IRLC") 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. The remaining IRLCs and FLSCs relate to the mortgage loans held for sale. The Company does not expect to enter in to new IRLCs or FLSCs following the disposition of the remaining mortgage loans held for sale.

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 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.

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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 the impact of 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 $5.0 million, and $6.4 million for the three month periods ended March 31, 2007 and 2006, respectively, because such amounts are considered incremental direct loan origination costs.

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Brokered Loan Fees and Expenses — The Company recorded 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 Benefits 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 salary. 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 $18,495 and $0.1 million for the three month periods ended March 31, 2007 and 2006 respectively.

Stock Based Compensation — The Company accounts for its stock options and restricted stock grants in accordance with SFAS No. 123R, "Share-Based Payment," ("SFAS No. 123R") which requires all companies to measure compensation costs for all share-based payments, including employee stock options, at fair value.

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.

NYMC is a taxable REIT subsidiary and therefore, is subject to corporate Federal income taxes. Accordingly, 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.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No.157"). SFAS No.157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No.157 will be applied under other accounting principles that require or permit fair value measurements, as this is a relevant measurement attribute. This statement does not require any new fair value measurements. We will adopt the provisions of SFAS No.157 beginning January 1, 2008. We are currently evaluating the impact of the adoption of this statement on our consolidated financial statements.

New Accounting Pronouncements — In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"), which provides companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS No. 159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS No. 159 establishes presentation and disclosure requirements and requires companies to provide additional information that will help investors and other users of financial statements to more easily understand the effect of the company's choice to use fair value on its earnings. SFAS No. 159 also requires entities to display the fair value of those assets and liabilities for which the company has chosen to use fair value on the face of the balance sheet. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is in the process of analyzing the impact of the adoption of SFAS No. 159 on its consolidated financial statements.

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2. Investment Securities Available for Sale

Investment securities available for sale consist of the following as of March 31, 2007 and December 31, 2006 (dollar amounts in thousands):

	March 31, 2007	December 31, 2006
Amortized cost	$ 450,637	$ 492,777
Gross unrealized gains	684	623
Gross unrealized losses	(4,258)	(4,438)
Fair value	$ 447,063	$ 488,962

As of March 31, 2007, 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 (see note 7).

The following table sets forth the stated reset periods and weighted average yields of our investment securities at March 31, 2007 (dollar amounts in thousands):

	March 31, 2007							
	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	$ 150,045	6.58%	$ —	—	$ —	—	$ 150,045	6.58%
Private Label Floaters	13,971	6.18%	—	—	—	—	13,971	6.18%
Private Label ARMs	33,726	6.15%	56,255	5.71%	173,153	5.65%	263,134	5.73%
NYMT Retained Securities	—	—	2,596	6.98%	17,317	7.55%	19,913	7.48%
Total/Weighted Average	$ 197,742	6.48%	$ 58,851	5.77%	$ 190,470	5.83%	$ 447,063	6.11%

The NYMT retained securities includes $2.0 million of residual interests related to the NYMT 2006-1 transaction. The residual interest carrying-values are determined by obtaining dealer quotes.

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

	December 31, 2006							
	Less than6 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	$ 163,898	6.40%	$ —	—	$ —	—	$ 163,898	6.40%
Private label floaters	22,284	6.46%	—	—	—	—	22,284	6.46%
Private label ARMs	16,673	5.60%	78,565	5.80%	183,612	5.64%	278,850	5.68%
NYMT retained securities	6,024	7.12%	—	—	17,906	7.83%	23,930	7.66%
Total/Weighted average	$ 208,879	6.37%	$ 78,565	5.80%	$ 201,518	5.84%	$ 488,962	6.06%

The following tables present 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, 2007 and December 31, 2006 (dollar amounts in thousands):

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	March 31, 2007					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Agency REMIC CMO floating rate	$ 104,369	$ 352	$ 779	$ 3	$ 105,148	$ 355
Private label ARMs	—	—	234,387	3,815	234,387	3,815
NYMT retained securities	718	76	2,596	12	3,314	88
Total	$ 105,087	$ 428	$ 237,762	$ 3,830	$ 342,849	$ 4,258

	December 31, 2006					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Agency REMIC CMO floating rate	$ 966	$ 2	$ 1,841	$ 4	$ 2,807	$ 6
Private label floaters	22,284	80	—	—	22,284	80
Private label ARMs	30,385	38	248,465	4,227	278,850	4,265
NYMT retained securities	7,499	87	—	—	7,499	87
Total	$ 61,134	$ 207	$ 250,306	$ 4,231	$ 311,440	$ 4,438

3. Mortgage Loans Held for Sale

Mortgage loans held for sale (included in assets of discontinued operations, see note 11) consist of the following as of March 31, 2007 and December 31, 2006 (dollar amounts in thousands):

	March 31, 2007	December 31, 2006
Mortgage loans principal amount	$ 60,872	$ 110,804
Deferred origination costs - net	11	138
Allowance for loan losses	(1,183)	(4,042)
Mortgage loans held for sale	$ 59,700	$ 106,900

Substantially all of the Company's mortgage loans held for sale are pledged as collateral for borrowings under financing arrangements (see note 8).

The following table presents the activity in the Company's allowance for loan losses for the three months ended March 31, 2007 and 2006 (dollar amounts in thousands).

March 31,	March 31,

	2007	2006
Balance at beginning of period	$ (4,042)	$ —
Provisions for loan losses	(379)	—
Charge-offs	3,238	—
Balance of the end of period	$ (1,183)	$ —

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, 2006 (dollar amounts in thousands):

	March 31, 2007	December 31, 2006
Mortgage loans principal amount	$ 540,549	$ 584,358
Deferred origination costs - net	3,497	3,802
Total mortgage loans held in securitization trusts	$ 544,046	$ 588,160

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Substantially all of the Company's mortgage loans held in securitization trusts are pledged as collateral for borrowings under financing arrangements (see note 7) or for the collateralized debt obligation (see note 9).

The following tables set forth delinquent loans in our portfolio as of March 31, 2007 and December 31, 2006 (dollar amounts in thousands):

March 31, 2007

Days Late	Number of Delinquent Loans		Total Dollar Amount	% of Loan Portfolio
30-60	2	$	955	0.18%
61-90	1		1,346	0.25%
90+	6		6,377	1.18%
Real estate owned	1	$	625	0.12%

December 31, 2006

Days Late	Number of Delinquent Loans		Total Dollar Amount	% of Loan Portfolio
30-60	1	$	166	0.03%
61-90	1		193	0.03%
90+	4		5,819	0.99%
Real estate owned	1	$	625	0.11%

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5. Property and Equipment — Net

Property and equipment - net (included in assets of discontinued operations, see note 11) consist of the following as of March 31, 2007 and December 31, 2006 (dollar amounts in thousands):

	March 31, 2007	December 31, 2006
Office and computer equipment	$ 166	$ 7,800
Furniture and fixtures	157	2,200
Leasehold improvements	949	1,491
Total premises and equipment	1,272	11,491
Less: accumulated depreciation and amortization	(787)	(4,975)
Property and equipment - net	$ 485	$ 6,516

6. Derivative Instruments and Hedging Activities

The Company enters into derivatives to manage its interest rate and market risk exposure associated with its mortgage lending 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, 2007 and December 31, 2006 (dollar amounts in thousands):

	March 31, 2007	December 31, 2006
Derivative Assets:		
Continuing Operations:		
Interest rate caps	$ 1,300	$ 2,011
Interest rate swaps	—	621
Total derivative assets, continuing operations	1,300	2,632
Discontinued Operation:		
Forward loan sale contracts - loan commitments	1	48
Forward loan sale contracts - mortgage loans held for sale	—	39
Forward loan sale contracts - TBA securities	—	84
Interest rate lock commitments - loan commitments	37	—
Total derivative assets, discontinued operation	38	171
Total derivative assets	$ 1,338	$ 2,803
Derivative Liabilities:		
Continuing Operations:		
Interest rate swaps	$ (183)	$ —

Discontinued Operation:				
Forward loan sale contracts - mortgage loans held for sale		(11)		—
Forward loan sale contracts - loan commitments		(7)		(118)
Interest rate lock commitments - mortgage loans held for sale		—		(98)
Total derivative liabilities, discontinued operations		(18)		(216)
Total derivative liabilities	$	(201)	$	(216)

The notional amounts of the Company's interest rate swaps, interest rate caps and forward loan sales contracts as of March 31, 2007 were $285.0 million, $1.5 billion and $5.4 million, respectively.

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The notional amounts of the Company's interest rate swaps, interest rate caps and forward loan sales contracts as of December 31, 2006 were $285.0 million, $1.5 billion and $142.1 million, respectively

The Company estimates that over the next twelve months, approximately $1.2 million of the net unrealized losses on the interest rate swaps will be reclassified from accumulated OCI into earnings.

7. 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, 2007, the Company had repurchase agreements with an outstanding balance of $434.9 million and a weighted average interest rate of 5.34%. As of December 31, 2006, the Company had repurchase agreements with an outstanding balance of $815.3 million and a weighted average interest rate of 5.37%. At March 31, 2007 and December 31, 2006 securities and mortgage loans pledged as collateral for repurchase agreements had estimated fair values of $452.0 million and $850.6 million, respectively. As of March 31, 2007 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 $4.6 billion in commitments to provide financings through such arrangements with 22 different counterparties with approximately $0.4 billion outstanding as of March 31, 2007.

The follow table summarizes outstanding repurchase agreement borrowings secured by portfolio investments as of March 31, 2007 and December 31, 2006 (dollars amounts in thousands):

Repurchase Agreements by Counterparty

Counterparty Name		**March 31, 2007**		**December 31, 2006**
Countrywide Securities Corporation	$	98,997	$	168,217
Goldman, Sachs & Co.		59,970		121,824
J.P. Morgan Securities Inc.		32,399		33,631
Nomura Securities International, Inc.		36,778		156,352
SocGen/SG Americas Securities		42,818		87,995
West LB		163,932		247,294
Total Financing Arrangements, Portfolio Investments	$	434,894	$	815,313

8. Financing Arrangements, Mortgage Loans Held for Sale

Financing arrangements (included in liabilities of discontinued operations, see note 11) secured by mortgage loans held for sale consist of the following as of March 31, 2007, and December 31, 2006 (dollar amounts in thousands):

	March 31, 2007	**December 31, 2006**

$250 million master repurchase agreement with Greenwich Capital expired on February 4, 2007 bearing interest at one-month LIBOR plus spreads from 0.75% to 1.25%. Principal repayments are required 120 days from the funding date. (a)		—		—
$120 million master repurchase agreement as of March 31, 2007 with CSFB expiring on June 29, 2007 and $200 million as of December 31, 2006, bearing interest at daily LIBOR plus spreads from 0.75% to 2.000% depending on collateral (6.36% at March 31, 2007 and 6.36% at December 31, 2006). Principal repayments are required 90 days from the funding date.	$	98,636	$	106,801
$300 million master repurchase agreement with Deutsche Bank Structured Products, Inc. expiring on March 26, 2007 bearing interest at 1 month LIBOR plus spreads from 0.625% to 1.25% depending on collateral (6.0% at December 31, 2006). Principal payments are due 120 days from the repurchase date. (b)		—		66,171
Total Financing Arrangements	$	98,636	$	172,972

(a) Management did not seek renewal of this facility which expired February 4, 2007.

(b) The line was paid in full and mutually terminated on March 26, 2007.

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As of March 31, 2007, the only outstanding financing arrangement was secured by mortgage loans held for sale by the Company associated with discontinued operations. This arrangement contains various covenants pertaining to, among other things, maintenance of certain amounts of net worth, periodic income thresholds and working capital. As of March 31, 2007, the Company was in compliance with all covenants with the exception of the net income and net worth covenants under this arrangement for which a waiver has been obtained from this institution.

9. Collateralized Debt Obligations

The Company had CDOs outstanding of $501.9 million with a weighted average interest rate of 5.65% as of March 31, 2007 and $197.4 million with a weighted average interest rate of 5.72% as of December 31, 2006. The CDOs include amortizing interest rate cap contracts with a notional amount of $596.9 million as of March 31, 2007 and a notional amount of $187.5 million as of December 31, 2006, which are recorded as an asset of the Company. The Company's CDOs are secured by ARM loans pledged as collateral which are recorded as an asset of the Company. The pledged ARM loans included in mortgage loans held in securitization trust, have a principal balance of $540.5 million and $204.6 million at March 31, 2007 and December 31, 2006, respectively.

10. 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" ("SFAS No. 150"), 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 (9.10% at March 31, 2007 and 9.12% at December 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, 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.

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11. Discontinued Operation

In connection with the sale of our wholesale mortgage origination platform assets on February 22, 2007 and the sale of our retail mortgage lending platform on March 31, 2007, during the fourth quarter of 2006, we classified our mortgage lending segment as a discontinued operation in accordance with the provisions of SFAS No. 144. As a result, we have reported revenues and expenses related to the segment as a discontinued operation and the related assets and liabilities as assets and liabilities related to a discontinued operation for all periods presented in the accompanying consolidated financial statements. Certain assets, such as the deferred tax asset, and certain liabilities, such as subordinated debt and liabilities related to leased facilities not assigned to Indymac will become part of the ongoing operations of NYMT and accordingly, we have not included these items as part of the discontinued operation in accordance with the provisions of SFAS No. 144.

The components of Assets related to the discontinued operation as of March 31, 2007 and December 31, 2006 are as follows (dollar amounts in thousands):

	March 31, 2007	December 31, 2006
Due from loan purchasers	$ 61,403	$ 88,351
Escrow deposits-pending loan closings	511	3,814
Accounts and accrued interest receivable	2,142	2,488
Mortgage loans held for sale (see note 3)	59,700	106,900
Prepaid and other assets	2,362	4,654
Derivative assets (see note 6)	38	171
Property and equipment, net (see note 5)	485	6,516
	$ 126,641	$ 212,894

The components of Liabilities related to the discontinued operation as of March 31, 2007 and December 31, 2006 are as follows (dollar amounts in thousands):

	March 31, 2007	December 31, 2006
Financing arrangements, mortgage loans held for sale (see note 8)	$ 98,636	$ 172,972
Due to loan purchasers	3,678	8,334
Accounts payable and accrued expenses	6,600	6,066
Derivative liabilities (see note 6)	18	216
Other liabilities	28	117
	$ 108,960	$ 187,705

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The combined results of operations of the assets and liabilities related to the discontinued operation for the three months ended March 31, 2007 and 2006 are as follows (dollar amounts in thousands):

	March 31,	
	2007	**2006**
Revenues:		
Net interest income	$ 596	$ 1,727
Gain on sale of mortgage loans	2,337	4,070
Loan losses	(3,161)	—
Brokered loan fees	2,135	2,777
Gain on sale of retail lending segment	5,160	—
Other income (expense)	27	(654)
Total net revenues	7,094	7,920
Expenses:		
Salaries, commissions and benefits	5,006	6,091
Brokered loan expenses	1,723	2,168
Occupancy and equipment	1,312	1,325
General and administrative	2,894	4,137
Total expenses	10,935	13,721
Loss before income tax benefit	(3,841)	(5,801)
Income tax benefit	—	2,916
Loss from discontinued operations - net of tax	$ (3,841)	$ (2,885)

12. Commitments and Contingencies

Loans Sold to Investors— The Company is not exposed to long term credit risk on its loans sold to investors. In the normal course of business, however, the Company is obligated to repurchase loans based on violations of representations and warranties, or early payment defaults. For the three months ended March 31, 2007, we repurchased a total of $5.5 million of mortgage loans that were originated in either 2005 or 2006, the majority of which were due to EPDs. Of the repurchased loans originated in 2006, all were Alt-A. As of March 31, 2007 we had approximately $14 million of additional repurchase requests pending, against which the Company has taken a reserve of $1.7 million included in accounts payable and accrued expenses.

Loans Funding and Delivery Commitments— At March 31, 2007 and December 31, 2006, the Company had commitments to fund loans with agreed-upon rates totaling $4.8 million and $104.3 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 $5.3 million and $142.1 million at March 31, 2007 and December 31, 2006, respectively. The remaining commitments to fund loans with agreed-upon rates are anticipated to be sold through optional delivery contract investor programs.

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 2013. All such leases are accounted for as operating leases. Total rental expense for property and equipment amounted to $1.1 million and $1.3 million for the three months ended March 31, 2007 and 2006, respectively.

On November 13, 2006, the Company entered into an Assignment and Assumption of Sublease and an Escrow Agreement, each with Lehman Brothers Holdings Inc. (“Lehman”) (collectively, the “Agreements”). Under the Agreements, the Company assigned and Lehman has assumed the sublease for the Company’s corporate headquarters at 1301 Avenue of the Americas. Pursuant to the Agreements, Lehman will fund an escrow account in the amount of $3.0 million for the benefit of NYMC. The full escrow amount will be released to the Company if it vacates the leased space on or before July 1, 2007. For each month beginning in July 2007 that the Company remains in occupation of the leased space, the escrow amount payable to NYMC will be reduced by $200,000. The Company intends to relocate its corporate headquarters to a smaller facility at a location that is yet to be determined.

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.

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13. Related Party Transactions

Steven B. Schnall, Chairman of the Board of Directors of the Company and until March 31, 2007, President and Co-Chief Executive of the Company, owns a 48% membership interest and Joseph V. Fierro, the Chief Operating Officer of the NYMC until March 31, 2007, owns a 12% membership interest in Centurion Abstract, LLC (“Centurion”), which provided title insurance brokerage services for certain title insurance providers. From time to time, NYMC referred its mortgage loan borrowers to Centurion for assistance in obtaining title insurance in connection with their mortgage loans, although the borrowers had no obligation to utilize Centurion’s services. When NYMC’s borrowers elected to utilize Centurion’s services to obtain title insurance, Centurion collected various fees and a portion of the title insurance premium paid by the borrower for its title insurance. Centurion received $0 and $500 in fees and other amounts from NYMC borrowers for the three months ended March 31, 2007 and March 31, 2006, respectively. NYMC did not economically benefit from such referrals. As of March 31, 2007, the Company exited the mortgage lending business and will no longer be referring business to Centurion.

14. 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, 2007 and December 31, 2006, there were geographic concentrations of credit risk exceeding 5% of the total loan balances within mortgage loans held for sale as follows:

	March 31, 2007	December 31, 2006
New York	36.2%	20.9%
Massachusetts	27.8%	17.5%
Pennsylvania	10.2%	7.4%
Rhode Island	5.7%	2.9%
New Jersey	5.4%	12.3%
New Hampshire	5.3%	3.7%

At March 31, 2007 and December 31, 2006, there were geographic concentrations of credit risk exceeding 5% of the total loan balances within mortgage loans held in the securitization trusts as follows:

	March 31, 2007	December 31, 2006
New York	26.6%	26.2%
Massachusetts	14.7%	14.4%
California	5.9%	6.8%

15. 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.

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.

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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 in the Securitization Trusts*— Mortgage loans held in the 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.

d. *Interest Rate Swaps and Caps*— The fair value of interest rate swaps and caps is based on using market accepted financial models as well as dealer quotes.

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.

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, 2007		
	Notional Amount	**Carrying Amount**	**Estimated Fair Value**
Continuing Operations:			
Investment securities available for sale	$ 449,349	$ 447,063	$ 447,063
Mortgage loans held in the securitization trusts	540,549	544,046	542,290
Commitments and contingencies:			
Interest rate swaps	285,000	(183)	(183)
Interest rate caps	1,469,636	1,300	1,300
Discontinued Operation:			
Mortgage loans held for sale	60,872	60,883	61,422

Commitments and contingencies:						
Interest rate lock commitments - loan commitments		4,843		(7)		(7)
Interest rate lock commitments - mortgage loans held for sale		54,571		37		37
Forward loan sales contracts - mortgage loans held for sale		531		(11)		(11)
Forward loan sales contracts - loan commitments	$	4,843	$	1	$	1

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	December 31, 2006		
	Notional Amount	Carrying Amount	Estimated Fair Value
Continuing Operations:			
Investment securities available for sale	$ 491,293	$ 488,962	$ 488,962
Mortgage loans held in the securitization trusts	584,358	588,160	582,504
Commitments and contingencies:			
Interest rate swaps	285,000	621	621
Interest rate caps	1,540,518	2,011	2,011
Discontinued Operation:			
Mortgage loans held for sale	110,804	106,900	107,810
Commitments and contingencies:			
Interest rate lock commitments - loan commitments	104,334	(118)	(118)
Interest rate lock commitments - mortgage loans held for sale	106,312	(98)	(98)
Forward loan sales contracts	$ 142,110	$ 171	$ 171

16. Income Taxes

All income tax benefits relate to NYMC and are included in the results of operations of the discontinued operations (see note 11). A reconciliation of the statutory income tax provision (benefit) to the effective income tax provision for the three months ended March 31, 2007 and March 31, 2006, is as follows (dollar amounts in thousands).

	March 31, 2007	March 31, 2006
Benefit at statutory rate (35%)	$ (1,659)	$ (1,649)
Non-taxable REIT income (loss)	15	(668)
Transfer pricing of loans sold to nontaxable parent	—	11
State and local tax benefit	(431)	(608)
Miscellaneous	12	(2)
Total benefit	$ (2,063)	$ (2,916)

The income tax benefit for the three month period ended March 31, 2007 is comprised of the following components (dollar amounts in thousands):

	Deferred
Federal	$ (1,632)
State	(431)
Total tax benefit	$ (2,063)

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

	Deferred
Federal	$ (2,308)
State	(608)
Total tax benefit	$ (2,916)

The deferred tax asset at March 31, 2007 includes a deferred tax asset of $18.4 million (included in prepaid and other assets on our consolidated balance sheet) and a deferred tax liability of $0.1 million (included in accounts payable and accrued expenses on our consolidated balance sheet) which represents the tax effect of differences between tax basis and financial statement carrying amounts of assets and liabilities. The major sources of temporary differences and their deferred tax effect at March 31, 2007 are as follows (dollar amounts in thousands):

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Deferred tax assets:		
Net operating loss carryover	$	21,887
Restricted stock, performance shares and stock option expense		410
Mark to market adjustment		(16)
Sec. 267 disallowance		268
Charitable contribution carryforward		34
GAAP reserves		1,611
Rent expense		452
Loss on sublease		103
Gross deferred tax asset		24,749
Valuation allowance		(6,332)
Net deferred tax asset	$	18,417
Deferred tax liabilities:		
Depreciation	$	65
Total deferred tax liability	$	65

The deferred tax asset at December 31, 2006 includes a deferred tax asset of $18.4 million and a deferred tax liability of $0.1 million which represents the tax effect of differences between tax basis and financial statement carrying amounts of assets and liabilities. The major sources of temporary differences and their deferred tax effect at December 31, 2006 are as follows (dollar amounts in thousands):

Deferred tax assets:		
Net operating loss carryover	$	19,949
Restricted stock, performance shares and stock option expense		410
Mark to market adjustment		2
Sec. 267 disallowance		268
Charitable contribution carryforward		35
GAAP reserves		1,399
Rent expense		518
Loss on sublease		121
Gross deferred tax asset		22,702
Valuation allowance		(4,269)
Net deferred tax asset	$	18,433
Deferred tax liabilities:		
Management compensation	$	16
Depreciation		65
Total deferred tax liability	$	81

The net deferred tax asset is included in prepaid and other assets on the accompanying consolidated balance sheet. Management has established a valuation allowance for the portion of the net deferred tax asset that it believes is more likely than not that, based upon the weight of available evidence, will not be realized.

Although realization is not assured, management believes it is more likely than not that the remaining deferred tax assets, for which valuation allowance has not been established, will be realized. The net operating loss carryforward expires at various intervals between 2012 and 2027. The charitable contribution carryforward will expire in 2011.

The Company has evaluated FIN 48, “Accounting for Uncertainty in Income Taxes-an interpretation o FASB Statement No. 109” (“FIN 48”), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Interest and penalties are accrued and reported as interest expenses and other expenses on the consolidated statement of income. In addition, the 2003-2006 tax years remain open to examination by the major taxing jurisdictions. As of March 31, 2007, the adoption of FIN 48 has had no material impact on the Company’s consolidated financial statements

17. Segment Reporting

Until March 31, 2007, the Company operated two reportable segments, the mortgage portfolio management segment and the mortgage lending segment. Upon the sale of substantially all of its mortgage lending operating assets to Indymac on March 31, 2007, the Company exited the mortgage lending business and accordingly will no longer report segment information.

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18. Stock Incentive Plans

2004 Stock Incentive Plan

The Company adopted the 2004 Stock Incentive Plan (the “2004 Plan”), during 2004. The 2004 Plan provided for the issuance of options to purchase shares of common stock, stock awards, stock appreciation rights and other equity-based awards, including performance shares, and all employees and non-employee directors were eligible to receive these awards under the 2004 Plan. During 2004 and 2005, the Company granted stock options, restricted stock and performance shares to certain of its employees and non-employee directors under the 2004 Plan, including performance shares awarded to certain employees in connection with the Company’s November 2004 acquisition of Guaranty Residential Lending, Inc. 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 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 replaced the 2004 Plan, which was terminated on the same date. The 2005 Plan provides that up to 1,031,111 shares of the Company’s common stock may be issued thereunder. The 2005 Plan provides that the number of shares available for issuance under the 2005 Plan may be increased by the number of shares covered by 2004 Plan awards that were forfeited or terminated after March 10, 2005. On October 12, 2006, the Company filed a registration statement on Form S-8 registering the issuance or resale of 1,031,111 shares under the 2005 Plan. As of March 31, 2007, 171,718 shares awarded under the 2005 Plan had been forfeited or terminated.

Options

Each of the 2005 and 2004 Plans provide for the exercise price of options to be determined by the Compensation Committee of the Board of Directors (“Compensation Committee”) but the exercise price may 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, 2007, 591,500 options have been granted pursuant to the Company’s stock incentive plans with a vesting period of two years.

The Company accounts for the fair value of its grants in accordance with SFAS No. 123R. The compensation cost charged against income exclusive of option forfeitures during the three months ended March 31, 2007 and 2006 was approximately $0 and $4,000, respectively. As of March 31, 2007, there was no unrecognized compensation cost related to non-vested share-based compensation awards granted under the stock option plans. No cash was received for the exercise of stock options during the three month periods ended March 31, 2007 and 2006.

A summary of the status of the Company’s options as of March 31, 2007 and changes during the three months then ended is presented below:

	Number of Options	Weighted Average Exercise Price

Outstanding at beginning of year, January 1, 2007	466,500	$	9.52
Granted	—		—
Canceled	—		—
Exercised	—		—
Outstanding at March 31, 2007	466,500	$	9.52
Options exercisable at March 31, 2007	466,500	$	9.52

A summary of the status of the Company’s options as of December 31, 2006 and changes during the year 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	—		
Canceled	75,000		9.83
Exercised	—		—
Outstanding at end of year, December 31, 2006	466,500	$	9.52
Options exercisable at year-end	466,500	$	9.52

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The following table summarizes information about stock options at March 31, 2007:

			Options Outstanding Weighted Average Remaining Contractual		Options Exercisable		Fair Value
Range of Exercise Prices	**Date of Grants**	**Number Outstanding**	**Life (Years)**	**Exercise Price**	**Number Exercisable**	**Exercise Price**	**of Options Granted**
$9.00	6/24/04	176,500	7.5	$ 9.00	176,500	$ 9.00	$ 0.39
$9.83	12/2/04	290,000	7.9	9.83	290,000	9.83	0.29
Total		466,500	7.8	$ 9.52	466,500	$ 9.52	$ 0.33

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

			Options Outstanding Weighted Average Remaining Contractual		Options Exercisable		Fair Value
Range of Exercise Prices	**Date of Grants**	**Number Outstanding**	**Life (Years)**	**Exercise Price**	**Number Exercisable**	**Exercise Price**	**of Options Granted**
$9.00	6/24/04	176,500	7.5	$ 9.00	176,500	$ 9.00	$ 0.39
$9.83	12/2/04	290,000	7.9	9.83	290,000	9.83	0.29
Total		466,500	7.8	$ 9.52	466,500	$ 9.52	$ 0.33

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%

Restricted Stock

As of March 31, 2007, the Company has awarded 684,333 shares of restricted stock under the 2005 Plan, of which 466,939 shares have fully vested, 171,718 shares were forfeited and are available for reissuance, and 45,676 shares were issued and are not vested. As of March 31, 2007, the remaining shares of restricted stock awarded under the 2005 Plan are subject to vesting periods between 3 and 21 months. During the three months ended March 31, 2007, the Company recognized non-cash compensation expense of $0.3 million 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, 2007 and changes during the three months then ended is presented below:

	Number of Non-vested Restricted Shares	Weighted Average Grant Date Fair Value
Non-vested shares at beginning of year, January 1, 2007	213,507	$ 6.36
Granted	—	—
Forfeited	(145,178)	5.54
Vested	(22,653)	9.00
Non-vested shares as of March 31, 2007	45,676	$ 7.83
Weighted-average fair value of restricted stock granted during the period	—	$ —

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

	Number of Non-vested Restricted Shares		Weighted Average Grant Date Fair Value
Non-vested shares at beginning of year, January 1, 2006	221,058	$	8.85
Granted	129,155		4.36
Forfeited	(21,705)		9.20
Vested	(115,001)		8.37
Non-vested shares as of December 31, 2006	213,507	$	6.36
Weighted-average fair value of restricted stock granted during the period	562,549	$	4.36

19. Capital Stock and Earnings per Share

The Company had 400,000,000 shares of common stock, par value $0.01 per share, authorized with 18,162,749 shares issued and 18,100,531 outstanding as of March 31, 2007. Of the common stock authorized, 1,031,111 shares (plus forfeited shares previously granted) were reserved for issuance as restricted stock awards to employees, officers and directors pursuant to the 2005 Stock Incentive Plan. As of March 31, 2007, 1,049,674 shares remain reserved for issuance.

The Company calculates basic net income per share by dividing net income (loss) for the period by weighted-average shares of common stock outstanding for that period. Diluted net income (loss) per share takes into account the effect of dilutive instruments, such as stock options and unvested restricted or performance stock, but uses the average share price for the period in determining the number of incremental shares that are to be added to the weighted-average number of shares outstanding. Since the Company is in a loss position for the period ended March 31, 2007 and 2006, the calculation of basic and diluted earnings per share is the same since the effect of common stock equivalents would be anti-dilutive.

The following table presents the computation of basic and diluted net earnings per share for the periods indicated (dollar amounts in thousands, except net earnings per share):

		For three months ended March 31, 2007		For three months ended March 31, 2006
Numerator:				
Net loss	$	(4,741)	$	(1,796)
Denominator:				
Weighted average number of common shares outstanding — basic		18,078		17,967

Net effect of unvested restricted stock		—		—
Performance shares		—		—
Net effect of stock options		—		—
Weighted average number of common shares outstanding — dilutive	$	18,078		17,967
Net loss per share — basic	$	(0.26)	$	(0.10)
Net loss per share — diluted	$	(0.26)	$	(0.10)

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, the types of assets we hold, the amount of leverage we use or 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 many of which are beyond our control 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 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;
- our ability to successfully redeploy capital from the sales of our wholesale and retail mortgage lending platforms;
- risks associated with the availability of liquidity;
- risks associated with the use of leverage;
- risks associated with non-performing assets;
- 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 with the Securities and Exchange Commission on April 2, 2007.

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") is a self-advised real estate investment trust ("REIT") that invests in and manages a portfolio of mortgage loans and mortgage-backed securities. Until March 31, 2007, the Company through its wholly-owned taxable REIT subsidiary ("TRS"), The New York Mortgage Company, LLC ("NYMC"), was also a residential mortgage lending company that originated a wide range of mortgage loans.

On March 31, 2007, we completed the sale of substantially all of the operating assets related to NYMC's retail mortgage lending platform, to IndyMac Bank, F.S.B. ("Indymac"), a wholly-owned subsidiary of Indymac Bancorp, Inc., for a purchase price of $13.5 million in cash and the assumption of certain of our liabilities by Indymac. Included in the transaction, among other things, was the assumption by Indymac of leases held by NYMC for approximately 20 full service and approximately 10 satellite retail mortgage lending offices (excluding the lease for the Company's corporate headquarters, which is being assigned, as previously announced, under a separate agreement to Lehman Brothers Holding, Inc.), the tangible personal property located in those approximately 30 retail mortgage lending offices, NYMC's pipeline of residential mortgage loan applications (the "Pipeline Loans"), escrowed deposits related to the Pipeline Loans, customer lists and intellectual property and information technology systems used by NYMC in the conduct of its retail mortgage lending platform. Indymac assumed the obligations of NYMC under the Pipeline Loans and substantially all of NYMC's liabilities under the purchased contracts and purchased assets arising after the closing date. Indymac has also agreed to pay (i) the first $500,000 in severance expenses with respect to "transferred employees" (as defined in the asset purchase agreement filed as Exhibit 10.62 to our Annual Report on Form 10-K) and (ii) severance expenses in excess of $1.1 million arising after the closing with respect to transferred employees. As part of the Indymac transaction, the Company has agreed, for a period of 18 months, not to compete with Indymac other than in the purchase, sale, or retention of mortgage loans. Indymac has hired substantially all of our branch employees and loan officers and a majority of NYMC employees based out of our corporate headquarters.

On February 22, 2007, we sold substantially all of the assets of our wholesale mortgage lending platform to Tribeca Lending Corp., a subsidiary of Franklin Credit Management Corporation ("Tribeca Lending"), for a purchase price of $0.5 million. Together, the sale of our retail mortgage lending platform to Indymac and the sale of our wholesale mortgage lending platform to Tribeca Lending has resulted in gross proceeds to NYMT of approximately $14.0 million before fees and expenses, and before deduction of approximately $2.3 million, which will be held in escrow to support warranties and indemnifications provided to Indymac by NYMC as well as other purchase price adjustments. NYMC recorded a one time gain on the sale of these assets of $5.2 million.

While the Company sold substantially all of the assets of its wholesale and retail mortgage lending platforms and exited the mortgage lending business as of March 31, 2007, it retains certain liabilities associated with that former line of business. Among these liabilities are the cost associated with the disposal of the mortgage loans held for sale, potential repurchase and indemnification obligations (including early payment defaults) on previously sold mortgage loans and remaining lease payment obligations on real and personal property.

The Company has reserves of $1.2 million to cover the disposition of the mortgage loans held for sale. In addition, the Company has $2.1 million of reserves to cover known repurchase requests as well as indemnification obligations

(where the Company agrees to pay for a third party's losses incurred in holding or disposing of a loan that the Company would otherwise have been required to repurchase). Until the Company disposes of all the mortgage loans held for sale and the repurchase periods set forth in the loan sale agreements expire, the Company may continue to incur losses on these loans.

We expect to redeploy the net proceeds from the sale of our retail mortgage lending platform in high quality mortgage loan securities. We will liquidate the remaining inventory of mortgage loans held for sale in the ordinary course of business. Our Board of Directors, together with our management, will continue to consider strategic options for NYMT, including a possible sale or merger or raising capital under a passive REIT business model.

We believe that the disposition of our mortgage lending business will allow us to meet the following business objectives:

- reduce, and ultimately eliminate, our taxable REIT subsidiary's operating loses;
- enable NYMC to retain the economic value of its accumulated net operating losses for income tax purposes;
- increase NYMT's investable capital and financial flexibility;
- lower NYMT's executive management compensation expenses;
- significantly reduce our potential severance obligations;

- enable our management to focus on our mortgage portfolio management operations, which consisted of a $1.0 billion investment portfolio as of March 31, 2007; and
- enable us to continue to acquire loans for securitization.

Presentation Format

The Management Discussion and Analysis section of this Quarterly Report on Form 10-Q has been separated, wherever possible, into two parts: (1) discussion of the ongoing mortgage REIT business that invests in and manages a portfolio of mortgage loans and mortgage-backed securities and (2) discussion of the discontinued business (including a discussion of the assets and liabilities that are pending disposition or that remain with the Company after the sale of the wholesale and retail mortgage lending platforms).

In connection with the sale of our wholesale mortgage lending platform assets on February 22, 2007 and the sale of our retail mortgage lending platform assets to Indymac on March 31, 2007, we classified certain assets and liabilities related to our mortgage lending segment as a discontinued operation in accordance with the provisions of Statement of Financial Accounting Standards No. 144. As a result, we have reported revenues and expenses related to the segment as a discontinued operation and the related assets and liabilities as assets and liabilities related to a discontinued operation for all periods presented in the accompanying consolidated financial statements. Certain assets, such as the deferred tax asset, and certain liabilities, such as subordinated debt and liabilities related to leased facilities not assigned to Indymac will become part of the ongoing operations of NYMT and accordingly, we have not classified as a discontinued operation in accordance with the provisions of Statement of Financial Accounting Standards No. 144. See note 11 in the notes to our consolidated financial statements.

Strategic Overview — Continuing Operations

We earn net interest income from purchased residential mortgage-backed securities, adjustable-rate mortgage loans and securitized loans. We have acquired and increasingly 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.

Our Investment portfolio is comprised largely of prime adjustable-rate mortgage loans that we either originated or acquired from third parties. We aggregate high credit quality, adjustable-rate mortgage loans until we have a pool of loans of sufficient size to securitize. Historically, we obtained the loans we securitize from either our TRS or from third parties. Our first securitization occurred on February 25, 2005 and we completed our second and third loan securitizations on July 28, 2005 and December 20, 2005, respectively. These securitization transactions, through which we financed the adjustable-rate and hybrid mortgage loans that we retained, were structured as financings for both tax and financial accounting purposes. Therefore, we do not expect to generate a gain or loss on sales from these activities, and, following the securitizations, the loans are classified on our consolidated balance sheet as loans held in securitization trusts. From each of our securitizations, we issued investment grade securities to third parties and recorded the securitization debt as a liability. On March 30, 2006 we completed our fourth securitization, New York Mortgage Trust 2006-1. This securitization was structured as a sale for accounting purposes. The Company holds certain AAA tranches as well as all the subordinate interests in this transaction.

Funding Diversification. We strive to maintain and achieve a balanced and diverse funding mix to finance our investment portfolio and assets. We rely primarily on repurchase agreements and collateralized debt obligations (“CDOs”) in order to finance our investment portfolio of residential loans and mortgage-backed securities. As of March 31, 2007, we have $4.6 billion of commitments to provide repurchase agreement financing through 22 different

counterparties with approximately $0.4 billion outstanding as of March 31, 2007. As of March 31, 2007, we have $0.5 billion of CDOs. During the three months ended March 31, 2007, we sold approximately $312.9 million of previously retained securitizations resulting in the permanent financing of these securitized loans. The CDO issuance replaced short-term repurchase agreements freeing up approximately $15.6 million in capital needed for repurchase agreement margin.

During 2005, we further diversified our sources of financing with the issuance of $45 million of trust preferred securities classified as subordinated debentures.

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

Investment Portfolio Credit Quality. We retain in our portfolio only high-credit quality loans that we originated or acquired from third parties. High credit quality creates improved portfolio liquidity and provides for financing opportunities that are available on generally favorable terms. Since we began our portfolio investment operations, we have experienced approximately $57,000 to date of credit losses in our portfolio.

Interest Rate Risk Management. Another primary risk to our investment portfolio of mortgage loans and mortgage-backed securities is interest rate risk. We use hedging instruments to reduce our risk associated with changes in interest rates that could affect 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, 2007, our net duration gap was approximately 5 months.

As we acquire mortgage-backed securities or loans, we seek to hedge interest rate risk in order to stabilize net asset values and earnings during periods of rising interest rates. To do so, we use hedging instruments in conjunction with our borrowings to approximate the repricing characteristics of such assets. The Company utilizes a model based risk analysis system to assist in projecting portfolio performances over a scenario of different interest rates and market stresses. 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. However, given the prepayment uncertainties on our mortgage assets, it is not possible to definitively lock-in a spread between the earnings yield on our investment portfolio and the related cost of borrowings. Nonetheless, through active management and the use of evaluative stress scenarios of the portfolio, we believe that we can mitigate a significant amount of both value and earnings volatility. See further discussion of interest rate risk at the “Quantitative And Qualitative Disclosures About Market Risk - Interest Rate Risk” section of this document.

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;
- increasing or decreasing levels of prepayments on the mortgages underlying our mortgage-backed securities;
- our ability to obtain financing to hold mortgage loans prior to their sale or securitization;
- our ability to dispose of the remaining mortgage loans held for sale in a timely and efficient manner;
- A significant increase in loan losses related to early payment defaults;
- 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.

Strategic Overview — Discontinued Operations

As part of the review of strategic alternatives announced in October of 2006, the Company sold substantially all of the assets of its retail and wholesale mortgage lending platforms in the first quarter of 2007, and exited the mortgage lending business. Until March 31, 2007, when we exited the mortgage lending business, we relied primarily on secured warehouse facilities for funding our mortgage loans held for sale. Subsequent to March 31, 2007, the Company will utilize the CSFB warehouse facility until we dispose of all mortgage loans held for sale, which is expected to occur in the second quarter of 2007.

Financial Overview — Continuing Operations

Revenues. Our primary sources of income are net interest income on our loans and residential investment securities. Net interest income is the difference between interest income, which is the income that we earn on our loans and residential investment securities and interest expense, which is the interest we pay on borrowings and subordinated debt.

Expenses. Non-interest expenses we incur in operating our business consist primarily of salary and employee benefits, and other general and administrative expenses. All compensation paid to employees of the continuing operations are salary-based as opposed to commission-based. Accordingly, very few of our expenses are variable in nature.

Salary and employee benefits consist primarily of the salaries and wages paid to our employees, payroll taxes and expenses for health insurance, retirement plans and other employee benefits.

Other general and administrative expenses include expenses for professional fees, office supplies, postage and shipping, telephone, insurance, and other miscellaneous operating expenses.

Financial Overview — Discontinued Operations

Revenues:

Net interest Income. We earn net interest income on banked loans for the period of time from the closing date of the loan to the date of sale to a third party.

Gain on sale of mortage loans. Income from the gain on sale of mortgage loans to third parties is the difference between the sales price and the adjusted cost basis of originated 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 (including commissions and salaries for employees directly responsible for such originations) paid.

Loan Loses. Loan losses include reserves for, or actual costs incurred with respect to the disposition of non-performing or early payment default loans and performing loans sold at distressed prices due to market conditions.

Brokered loan fees. Brokered loan fees are fees collected by the Company for loans brokered to third parties rather than banked.

Gain on sale of retail lending segment. Gain on sale of retail lending segment includes a $5.2 million gain from the sale of retail mortgage lending platform.

Expenses:

Salaries, commissions and benefits. Salary and employee benefits consist primarily of the salaries and wages paid to our employees (exclusive of salaries and wages allocated to net gain on sale of mortgage loans), payroll taxes and expenses for health insurance, retirement plans and other employee benefits.

Brokered loan expenses. Brokered loan expenses are primarily direct commissions and other costs associated with brokered loans when such loans are closed with the borrower. Costs associated with brokered loans are expensed when incurred.

Occupancy and equipment expenses. Occupancy and equipment expenses, which are the fixed and variable costs of buildings and equipment, consist of building lease expenses, furniture and equipment expenses, maintenance, real estate taxes and other associated costs of occupancy.

General and administrative. General and administrative expenses include expenses for professional fees, office supplies, postage and shipping, telephone, travel and entertainment and other miscellaneous operating expenses.

Many of our expenses of the discontinued operation were variable in nature and were relative to our loan origination production volumes. Variable expenses include commissions on loan originations, brokered loan costs and, to a lesser degree, office supplies, marketing and promotion and other miscellaneous expenses. Fixed expenses are primarily occupancy and equipment lease expenses and data processing and communications expenses.

Loss from discontinued operation. Loss from discontinued operation on our Consolidated Statements of Operations includes all revenues and expenses related to the discontinued mortgage lending segment excluding certain costs that will be retained by the Company. Primarily, these expenses related to rent expense for locations not being purchased and certain allocated payroll expenses for employees remaining with the Company.

Description of Business — Continuing Operations

Prior to the completion of our IPO on June 29, 2004, our operations were limited to the mortgage operations described in the preceding section. Beginning in July 2004, we began to implement our business plan of investing in high-quality, adjustable rate mortgage related securities and residential loans. Our mortgage portfolio, consisting primarily of residential mortgage-backed securities and mortgage loans held for investment, generates a substantial portion of our earnings. In managing our investment in a mortgage portfolio, we:

- invest in mortgage-backed securities 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, warehouse facilities for loan aggregation or issue collateral debt obligations relating to our securitizations; 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 variable and the maturities are short term in nature. 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.

As of March 31, 2007, our mortgage securities portfolio consisted of 98% AAA- rated or Fannie Mae, Freddie Mac or Ginnie Mae-guaranteed (“FNMA/FHLMC/GNMA”) mortgage securities as compared to financing rates or lower rated securities.

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. We recorded an impairment loss of $7.4 million in the fourth quarter of 2005 because we concluded that we no longer had the intent to hold certain lower-yielding mortgage-backed securities until their values recovered. This impairment was not due to any underlying credit issues but was related to our intent to no longer hold identified lower-yield securities and to re-position our portfolio by selling such securities and replacing them with higher yield securities with similar credit characteristics in order to earn higher net interest spread in the future. The securities were disposed of during the first quarter of 2006 resulting in an additional loss of $1.0 million.

The loans held in securitization trusts and mortgage loans held for investment consisted of high-credit quality prime adjustable rate mortgages with initial reset periods of no greater than five years or less. Our portfolio strategy for ARM loan originations is to acquire high-credit quality ARM loans for our securitization process thereby limiting future potential losses.

Description of Business — Discontinued Operation

In connection with the sale of our wholesale mortgage origination platform assets on February 22, 2007 and the sale of our retail mortgage lending platform on March 31, 2007, we classified our mortgage lending segment as a discontinued operation.

Until March 31, 2007, our retail mortgage lending operation contributed to our financial results as it either produced some of the loans that ultimately collateralized the mortgage securities that we hold in our portfolio or it provided us the flexibility to sell the loans for gain on sale revenue. We primarily originated prime, first-lien, residential mortgage loans and, to a lesser extent, second lien mortgage loans, home equity lines of credit, subprime loans, and bridge loans. We originated a wide range of mortgage loan products including adjustable-rate mortgage (“ARM”) loans which may have an initial fixed rate period, and fixed-rate mortgages. Historically, we sold or retained and aggregated our self-originated, high-quality, shorter-term ARM loans in order to pool them into mortgage securities. Due to market conditions, starting in March, 2006, NYMC began to sell all loans originated by it to third parties for gain on sale

revenue rather than aggregating for securitization. For the three months ended March 31, 2007 and 2006, we originated $435.7 million and $613.8 million in mortgage loans for sale to third parties, respectively. We recognized gains on sales of mortgage loans totaling $2.3 million and $4.1 million for the three months ended March 31, 2007 and 2006, respectively. This decrease in gains is attributable to our reduced volume of loans originated and thus sold, and increased scrutiny of loans by investors that resulted from the industry wide increase in early payment default loans ("EPDs"). EPDs, or loans wherein borrowers missed one of their first three required mortgage payments, resulted in investors either not purchasing loans or purchasing them at a reduced negotiated price. On March 31, 2007, we sold substantially all of the operating assets of the retail mortgage lending platform to Indymac and exited the mortgage lending business.

Until February 22, 2007, our wholesale mortgage lending strategy had been a small component of our loan origination operations. We had a network of non-affiliated wholesale loan brokers and mortgage lenders who submited loans to us. We maintained relationships with these wholesale brokers and, as with retail loan originations, underwrote, processed, and funded wholesale loans through our centralized facilities and processing systems. We also sold broker loans to third party mortgage lenders for which we received a broker fee. For the three months ended March 31, 2007 and 2006, we originated $134.8 million and $183.4 million in brokered loans, respectively. We recognized net brokering income totaling $0.4 million and $0.6 million during the three months ended March 31, 2007 and 2006, respectively. On February 22, 2007, we sold substantially all of the assets of our wholesale mortgage lending platform to Tribeca Lending.

Known Material Trends and Commentary — Continuing Operations

Results of Operations. We expect that our revenues will derive primarily from the difference between the interest income we earn on our mortgage assets and the costs of our borrowings (net of hedging expenses). We expect that our operating expenses will decrease going forward due to the elimination of compensation expense attributable to employees related to our mortgage origination platform. The sale of each of our retail and wholesale mortgage lending platforms, has resulted in gross proceeds to NYMT of approximately $14.0 million before fees and expenses, and before deduction of approximately $2.3 million which will be held in escrow to support warranties and indemnifications provided to Indymac by NYMC as well as other purchase price adjustments. NYMC expects to record a one time taxable gain on the sale of its assets to Indymac of $5.2 million.

Liquidity. We depend on the capital markets to finance our investments in mortgage-backed securities. As it relates to our investment portfolio, we have either issued collateralized debt to permanently finance our loan securitizations, or entered into repurchase agreements for short term financing. Commercial and investment banks have provided significant liquidity to finance our operations, and 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.

Known Material Trends and Commentary — Discontinued Operations

Origination Volume. For the three months ended March 31, 2007 and March 31, 2006, NYMC's total loan originations were to $435.7 million and $613.8 million, respectively. This compares to total originations for the industry as a whole of $653 billion for the three months ended March 31, 2007 versus $626 billion for the same period in 2006, an increase of 4.3%, as reported by the MBA's Mortgage Finance Forecast dated April 23, 2007. The reason for our decrease in mortgage originations while the industry experienced a period over period increase is primarily due to the Company's sale of its wholesale mortgage lending platform on February 22, 2007 and, to a lesser degree, the then-pending sale of the retail mortgage lending platform to Indymac on March 31, 2007.

EPDs and Loan Sale Environment. Current market conditions related to early payment defaults ("EPD"), mortgage loans that have missed one of their first three payments due, is an important trend facing our industry. As the incidence of EPDs has recently increased dramatically, the frequency of loans we are requested to repurchase has increased. EPDs pertain only to loans originated in our discontinued mortgage lending operation. These repurchases are predominately made with cash and are held on the balance sheet until they are re-sold. EPD loans are typically re-sold at a loss and resulting in a reduction of our working capital.

The majority of our EPDs are associated with borrowers whose loans were underwritten to loan programs where the borrower was not required to provide full income and or asset verification in order to qualify for the loan. These alternative documentation programs, also known as "Alternative-A" or "Alt-A" programs, offered by many investors for whom we originated loans, combined with reduced amounts of required down payments made it easier for many borrowers to obtain mortgage financing.

The increased incidence of EPDs has made many loan buyers and investors cautious when it comes to the due diligence of loans they are purchasing. We have noticed a much more cautious approach to loan review across the board by established investors with whom we have had long term relationships. The increased number of EPDs also caused these investors to change their underwriting guidelines during the first quarter of this year resulting in further difficulty in selling the loans underwritten to the prior guidelines.

For the three months ended March 31, 2007, we repurchased a total of $5.5 million of mortgage loans that were originated in either 2005 or 2006, the majority of which were due to EPDs. Of the repurchased loans originated in 2006, all were Alt-A. As of March 31, 2007 we had approximately $14 million of additional repurchase requests pending, against which the Company has taken a reserve of $1.7 million included in accounts payable and accrued expenses.

Significance of Estimates and Critical Accounting Policies — General

We prepare our consolidated 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 consolidated 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.

Significance of Estimates and Critical Accounting Policies — Continuing Operations

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.

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. 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. At March 31, 2007, we have a net unrealized loss of $3.6 million on the remaining securities in our portfolio, which we do not consider to represent an other than temporary impairment.

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 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, securitizations are accounted for as secured financings as defined by SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS No. 140"), and, therefore, no gain or loss is recorded in connection with the securitizations. Each securitization entity is evaluated in accordance with Financial Accounting Standards Board Interpretation ("FIN") 46(R), "Consolidation of Variable Interest Entities", and we have determined that we are the primary beneficiary of the securitization entities. As such, 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-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%. Ineffective portions, if any, of changes in the fair value or cash flow hedges are recognized in earnings.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No.157"). SFAS No.157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No.157 will be applied under other accounting principles that require or permit fair value measurements, as this is a relevant measurement attribute. This statement does not require any new fair value measurements. We will adopt the provisions of SFAS No.157 beginning January 1, 2008. We are currently evaluating the impact of this statement on our consolidated financial statements.

New Accounting Pronouncements - In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"), which provides companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS No. 159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS No. 159 establishes presentation and disclosure requirements and requires companies to provide additional information that will help investors and other users of financial statements to more easily understand the effect of the company's choice to use fair value on its earnings. SFAS No. 159 also requires entities to display the fair value of those assets and liabilities for which the company has chosen to use fair value on the face of the balance sheet. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is in the process of analyzing the impact of SFAS No. 159 on its consolidated financial statements.

Significance of Estimates and Critical Accounting Policies — Discontinued Operations

In the normal course of our discontinued mortgage lending business, we entered into contractual interest rate lock commitments (“IRLCs”) to extend credit to finance residential mortgages. Mark-to-market adjustments on IRLCs were recorded from the inception of the interest rate lock through the date the underlying loan is funded. The fair value of the IRLCs was 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 entered into forward sale loan contracts (“FSLCs”). Since the FSLCs were 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 were undesignated derivatives under SFAS No. 133 and are marked to market with changes in fair value recorded to current earnings.

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.

Estimation involves the consideration of various credit-related factors including but not limited to, the current housing market conditions, loan-to-value ratios, delinquency status, historical credit loss severity rates, purchased mortgage insurance, the borrower’s credit and other factors deemed to warrant consideration. Additionally, we look at the balance of any delinquent loan and compare that to the value of the property. As many of the loans involved in current reserve process were funded in the past six to twelve months, we typically rely on the original appraised value of the property, unless there is evidence that the original appraisal should not be relied upon. If there is a doubt to the objectivity of the original property value assessment, we either utilize various internet based property data services to look at comparable properties in the same area, or consult with a realtor in the property’s area.

Comparing the current loan balance to the original property value determines the current loan-to-value (“LTV”) ratio of the loan. Generally we estimate that a first lien loan on a property that goes into a foreclosure process and becomes real estate owned (“REO”), results is the property being disposed of at approximately 68% of the property’s original value. This estimate is based on management’s long term experience in similar market conditions. Thus, for a first lien loan that is delinquent, we will adjust the property value down to approximately 68% of the original property value and compare that to the current balance of the loan. The difference, plus an estimate of past interest due, determines the base reserve taken for that loan. This base reserve for a particular loan may be adjusted if we are aware of specific circumstances that may affect the outcome of the loss mitigation process for that loan. Predominately, however, we use the base reserve number for our reserve.

Reserves for second liens are larger than that for first liens as second liens are in a junior position and only receive proceeds after the claims of the first lien holder are satisfied. As with first liens, we may occasionally alter the base reserve calculation but that is in a minority of the cases and only if we are aware of specific circumstances that pertain to that specific loan.

At March 31, 2007, we had a loan loss reserve of $1.2 million on mortgage loans held for sale, $2.1 million in reserves for indemnifications and repurchase requests and had incurred $3.2 million of loan losses during the three months ended March 31, 2007.

Overview of Performance

For the three months ended March 31, 2007, we reported a net loss of $4.7 million, as compared to a net loss of $1.8 million for the three months ended March 31, 2006. The increase in net loss is attributed to a decrease in gain on sale revenues and an increase in loan losses, each related to our discontinued operations, and a decrease net interest income from our investment portfolio. Included in the net loss is a gain of $5.2 million from the sale of the retail mortgage lending platform to Indymac. With respect to our discontinued operations, for the three months ended March 31, 2007, total residential originations, including brokered loans, were $435.7 million as compared to $613.8 million for the same period of 2006. The decrease in our loan origination levels for the three months ended March 31, 2007 as compared to the same period of 2006 is the result of the loss of experienced loan officers to competitors, the sale of the wholesale mortgage lending platform as well as an overall market decline. Total employees decreased to 35 at March 31, 2007 as a result of the sale of the retail mortgage lending platform.

Summary of Operations and Key Performance Measurements — Continuing Operations

For the three months ended March 31, 2007, our income was dependent upon our mortgage portfolio management operations and the net interest (interest income on portfolio assets net of the interest expense and hedging costs associated with the financing of such assets) generated from our portfolio, mortgage loans held in the securitization trusts and residential mortgage-backed securities. 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, 2007:

	Amount (dollars in thousands)	Average Outstanding Balance (dollars in millions)	Effective Rate
Net Interest Income Components:			
Interest Income			
Investment securities and loans held in the securitization trusts	$ 14,214	$ 1,017.9	5.59%
Amortization of premium	(501)	4.8	(0.23)%
Total interest income	$ 13,713	$ 1,022.7	5.36%
Interest Expense			
Repurchase agreements and CDOs	$ 13,543	$ 980.3	5.53%
Interest rate swaps and caps	(459)	—	(0.19)%
Total interest expense (1)	$ 13,084	$ 980.3	5.34%
Net Interest income investment securities and loans held in securitization trusts	$ 629	$ 42.4	0.02%

(1) Excludes $0.9 million of subordinated interest expense.

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.

Summary of Operations and Key Performance Measurements — Discontinued Operations

For the three months ended March 31, 2007, our net interest income was also dependent upon our mortgage lending operations and originations from our mortgage lending segment, which include the mortgage loan sales and mortgage brokering activities on residential mortgages sold or brokered to third parties. Our mortgage lending activities generated 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 generated brokering fee revenues from third party buyers. In addition, the Company incurred a $3.2 million loan loss related to repurchase of EPD loans. As of March 31, 2007, the Company sold its retail mortgage lending platform to Indymac for a net gain of $5.2 million and exited the mortgage lending business.

A breakdown of our loan originations for the three months ended March 31, 2007 follows:

Description	Number of Loans	Aggregate Principal Balance ($000's)	Percentage of Total Principal	Weighted Average Interest Rate	Average Loan Size
Purchase mortgages	971	$251.2	57.7%	6.88%	$258,694
Refinancings	605	184.5	42.3%	7.01%	304,904
Total	1,576	435.7	100.0%	6.94%	276,433
Adjustable rate or hybrid	419	166.2	38.1%	6.93%	396,660
Fixed rate	1,157	269.5	61.9%	6.94%	232,894
Total	1,576	435.7	100.0%	6.94%	276,433
Banked	1,210	300.9	69.1%	6.81%	248,647
Brokered	366	134.8	30.9%	7.22%	368,293
Total	1,576	$435.7	100.0%	6.94%	$276,433

Financial Condition

Balance Sheet Analysis - Asset Quality — Continuing Operations

Investment Securities - Available for Sale. Our securities portfolio consists of agency securities or AAA-rated residential mortgage-backed securities. At March 31, 2007 and December 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 tables set forth the credit characteristics of our securities portfolio as of March 31, 2007 and December 31, 2006:

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

March 31, 2007 Credit	Sponsor or Rating	Par Value	Carrying Value	% of Portfolio	Coupon	Yield
Agency REMIC CMO Floating Rate	FNMA/FHLMC/GNMA	$ 149,669	$ 150,045	34%	6.70%	6.58%
Private Label Floating Rate	AAA	13,985	13,971	3%	6.11%	6.18%
Private Label ARMs	AAA	264,893	263,134	59%	4.80%	5.74%
NYMT Retained Securities	AAA-BBB	18,038	17,942	3%	5.75%	6.18%
NYMT Retained Securities	Below Investment Grade	2,764	1,971	1%	5.68%	15.96%
Total/Weighted Average		$ 449,349	$ 447,063	100%	5.51%	6.11%

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

December 31, 2006	Rating	Par Value	Carrying Value	% of Portfolio	Coupon	Yield

Credit						
Agency REMIC CMO Floating Rate	FNMA/FHLMC/GNMA	$ 163,121	$ 163,898	34%	6.72%	6.40%
Private Label Floating Rate	AAA	22,392	22,284	5%	6.12%	6.46%
Private Label Arms	AAA	287,018	284,874	58%	4.82%	5.71%
NYMT Retained Securities	AAA-BBB	15,996	15,894	3%	5.67%	6.02%
NYMT Retained Securities	Below Inv Grade	2,767	2,012	0%	5.67%	18.35%
Total/Weighted Average		$ 491,294	$ 488,962	100%	5.54%	6.06%

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The following table sets forth the stated reset periods and weighted average yields of our investment securities at March 31, 2007 and December 31, 2006 (dollar amounts in thousands):

March 31, 2007	Less than 6 Months Carrying Value	Less than 6 Months Weighted Average Yield	More than 6 Months To 24 Months Carrying Value	More than 6 Months To 24 Months Weighted Average Yield	More than 24 Months To 60 Months Carrying Value	More than 24 Months To 60 Months Weighted Average Yield	Total Carrying Value	Total Weighted Average Yield
Agency REMIC CMO Floating Rate	$ 150,045	6.58%	$ —	—	$ —	—	$ 150,045	6.58%
Private Label Floating Rate	13,971	6.18%	—	—	—	—	13,971	6.18%
Private Label ARMs	33,726	6.15%	56,255	5.71%	173,153	5.65%	263,134	5.73%
NYMT Retained Securities	—	—	2,596	6.98%	17,317	7.55%	19,913	7.48%
Total	$ 197,742	6.48%	$ 58,851	5.77%	$ 190,470	5.83%	$ 447,063	6.11%

December 31, 2006	Less than 6 Months Carrying Value	Less than 6 Months Weighted Average Yield	More than 6 Months To 24 Months Carrying Value	More than 6 Months To 24 Months Weighted Average Yield	More than 24 Months To 60 Months Carrying Value	More than 24 Months To 60 Months Weighted Average Yield	Total Carrying Value	Total Weighted Average Yield
Agency REMIC CMO Floating Rate	$ 163,898	6.40%	$ —	—	$ —	—	$ 163,898	6.40%
Private Label Floating Rate	22,284	6.46%	—	—	—	—	22,284	6.46%
Private Label ARMs	16,673	5.60%	78,565	5.80%	183,612	5.64%	278,850	5.68%
NYMT Retained Securities	6,024	7.12%	—	—	17,906	7.83%	23,930	7.66%
Total	$ 208,879	6.37%	$ 78,565	5.80%	$ 201,518	5.84%	$ 488,962	6.06%

Investment Portfolio Related Assets

Mortgage Loans Held in Securitization Trusts. Included in our portfolio are adjustable-rate mortgage loans that we originated or purchased in bulk from third parties that meet 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. If the securitization qualifies as a financing for SFAS No. 140 purposes the loans are classified as “mortgage loans held in securitization trusts.”

The NYMT 2006-1 securitization qualifies as a sale under SFAS No. 140, which resulted in the recording of residual assets and mortgage servicing rights. The residual assets total $2.0 million and are included in investment securities available for sale (see note 2 in our consolidated financial statements).

At March 31, 2007, mortgage loans held in securitization trusts totaled $544.0 million, or 47% of total assets. Of this mortgage loan investment portfolio 100% are traditional or hybrid ARMs and 76.0% are ARM loans that are interest only. On our hybrid ARMs, interest rate reset periods are predominately seven 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.

Characteristics of Our Mortgage Loans Held in Securitization Trusts and Retained Interest in Securitization:

The following table sets forth the composition of our mortgage loans held in securitization trusts and retained interest in securitization as of March 31, 2007 (dollar amounts in thousands):

	# of Loans	Par Value	Carrying Value
Loan Characteristics:			
Mortgage loans held in securitization trusts	1,178	$ 540,549	$ 544,046
Retained interest in securitization (included in Investment securities available for sale)	431	231,437	19,913
Total Loans Held	1,609	$ 771,986	$ 563,959

	Average	High	Low
General Loan Characteristics:			
Original Loan Balance	$ 498	$ 3,500	$ 40
Coupon Rate	5.68%	8.13%	3.88%
Gross Margin	2.36%	6.50%	1.13%
Lifetime Cap	11.15%	13.75%	9.00%
Original Term (Months)	360	360	360
Remaining Term (Months)	338	348	304

The following table sets forth the composition of our mortgage loans held in securitization trusts and retained interest in securitization as of December 31, 2006:

	# of Loans	Par Value	Carrying Value
Loan Characteristics:			
Mortgage loans held in securitization trusts	1,259	$ 584,358	$ 588,160
Retained interest in securitization (included in Investment securities available for sale)	458	249,627	23,930
Total Loans Held	1,717	$ 833,985	$ 612,090

	Average	High	Low
General Loan Characteristics:			
Original Loan Balance	$ 501	$ 3,500	$ 25
Coupon Rate	5.67%	8.13%	3.88%
Gross Margin	2.36%	6.50%	1.13%
Lifetime Cap	11.14%	13.75%	9.00%
Original Term (Months)	360	360	360
Remaining Term (Months)	341	351	307

The following tables provide additional characteristics of the mortgage loans held in securitization trusts and retained interest in securitization as of March 31, 2007 and December 31, 2006:

	March 31, 2007 Percentage	December 31, 2006 Percentage
Arm Loan Type		
Traditional ARMs	2.3%	2.9%

2/1 Hybrid ARMs	3.4%	3.8%
3/1 Hybrid ARMs	15.7%	16.8%
5/1 Hybrid ARMs	76.5%	74.5%
7/1 Hybrid ARMs	2.1%	2.0%
Total	100.0%	100.0%
Percent of ARM loans that are Interest Only	76.0%	75.9%
Weighted average length of interest only period	8.1 years	8.0 years

	March 31, 2007 Percentage	**December 31, 2006 Percentage**
Traditional ARMs - Periodic Caps		
None	72.6%	61.9%
1%	6.6%	8.8%
Over 1%	20.8%	29.3%
Total	100.0%	100.0%

	March 31, 2007 Percentage	December 31, 2006 Percentage
Hybrid ARMs - Initial Cap		
3.00% or less	13.4%	14.8%
3.01%-4.00%	7.3%	7.5%
4.01%-5.00%	78.2%	76.6%
5.01%-6.00%	1.1%	1.1%
Total	100.0%	100.0%

	March 31, 2007 Percentage	December 31, 2006 Percentage
FICO Scores		
650 or less	3.8%	3.8%
651 to 700	17.2%	16.9%
701 to 750	34.0%	34.0%
751 to 800	41.1%	41.5%
801 and over	3.9%	3.8%
Total	100.0%	100.0%
Average FICO Score	737	737

	March 31, 2007 Percentage	December 31, 2006 Percentage
Loan to Value (LTV)		
50% or less	9.6%	9.8%
50.01% - 60.00%	8.6%	8.8%
60.01% - 70.00%	28.0%	28.1%
70.01% - 80.00%	51.5%	51.1%
80.01% and over	2.3%	2.2%
Total	100.0%	100.0%
Average LTV	69.6%	69.4%

	March 31, 2007 Percentage	December 31, 2006 Percentage
Property Type		
Single Family	52.0%	52.3%
Condominium	22.7%	22.9%
Cooperative	9.2%	8.8%
Planned Unit Development	13.1%	13.0%
Two to Four Family	3.0%	3.0%
Total	100.0%	100.0%

	March 31, 2007 Percentage	December 31, 2006 Percentage
Occupancy Status		
Primary	84.8%	85.3%

Secondary	11.2%	10.7%
Investor	4.0%	4.0%
Total	100.0%	100.0%

	March 31, 2007 Percentage	**December 31, 2006 Percentage**
Documentation Type		
Full Documentation	70.9%	70.1%
Stated Income	20.9%	21.3%
Stated Income/ Stated Assets	6.8%	7.2%
No Documentation	0.9%	0.9%
No Ratio	0.5%	0.5%
Total	100.0%	100.0%

	March 31, 2007 Percentage	December 31, 2006 Percentage
Loan Purpose		
Purchase	56.9%	57.3%
Cash out refinance	16.9%	26.1%
Rate and term refinance	26.2%	16.6%
Total	100.0%	100.0%

	March 31, 2007 Percentage	December 31, 2006 Percentage
Geographic Distribution: 5% or more in any one state		
NY	26.6%	26.2%
MA	14.7%	14.4%
CA	5.9%	6.8%
Other (less than 5% individually)	52.8%	52.6%
Total	100.0%	100.0%

Delinquency Status. As of March 31, 2007, we had ten delinquent loans totaling $9.3 million categorized as mortgage loans held in securitization trusts. The table below shows delinquencies in our loan portfolio as of March 31, 2007 (dollar amounts in thousands):

Days Late	Number of Delinquent Loans	Total Dollar Amount	% of Loan Portfolio
30-60	2	$ 955	0.18%
61-90	1	1,346	0.25%
90+	6	6,377	1.18%
Real estate owned	1	$ 625	0.12%

As of December 31, 2006, we had seven delinquent loans totaling $6.8 million categorized as mortgage loans held in securitization trusts. The table below shows delinquencies in our loan portfolio as of December 31, 2006 (dollar amounts in thousands):

Days Late	Number of Delinquent Loans	Total Dollar Amount	% of Loan Portfolio
30-60	1	$ 166	0.03%
61-90	1	193	0.03%
90+	4	5,819	0.99%
Real estate owned	1	$ 625	0.11%

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.

Non-Loan or Investment Assets

Cash and cash equivalents. We had unrestricted cash and cash equivalents of $1.7 million at March 31, 2007 versus $1.0 million at December 31, 2006.

Restricted cash. Restricted cash is held by counter parties as colleral for hedging instruments and two letters of credit related to the Company's lease of office space, including its corporate headquarters.

Accounts and accrued interest receivable. Accounts and accrued interest receivable includes $13.5 million related to the sale of the retail mortgage lending segment to Indymac. On April 2, 2007, Indymac paid the Company $11.2 million in cash and established a $2.3 million escrow account to support warranties and indemnifications related to the sale. In addition, accrued interest receivable for investment securities and mortgage loans held in securitization trusts are also included.

Prepaid and other assets. Prepaid and other assets totaled $20.5 million as of March 31, 2007. Prepaid and other assets consist primarily of a deferred tax benefit of $18.4 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.

Balance Sheet Analysis - Asset Quality — Discontinued Operations

Mortgage Lending Related Assets

The balances of the following mortgage lending related assets have declined as of March 31, 2007 as compared to December 31, 2006 primarily due to the exit of the morgage lending business:

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 $59.7 million at March 31, 2007 as compared to $106.9 million at December 31, 2006. Primarily, we use warehouse facilities to finance our mortgage loans held for sale. Alternatively, we may use cash on a short-term basis to finance our mortgage loans held for sale.

Due from Purchasers. We had amounts due from loan purchasers totaling $61.4 million at March 31, 2007 as compared to $88.4 million at December 31, 2006. Amounts due from loan purchasers are a receivable for the principal and premium due to us for loans that have been shipped to permanent investors 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 $0.5 million at March 31, 2007 as compared to $3.8 million at December 31, 2006. 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.

Non-Loan Assets

Property and Equipment, Net. Property and equipment totaled $0.5 million as of March 31, 2007 and $6.5 million as of December 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 — Continuing Operations

Financing Arrangements, Portfolio Investments. We have arrangements to enter into repurchase agreements with 22 different financial institutions having a total line capacity of $4.6 billion. As of March 31, 2007 and December 31, 2006, there were $0.4 billion and $0.8 billion, respectively, of repurchase borrowings outstanding. Our repurchase agreements have terms of 30 days. The weighted average borrowing rate on these financing facilities was 5.34% and 5.37% as of March 31, 2007 and December 31, 2006, respectively.

Collateralized Debt Obligations. There were no new securitization transactions accounted for as a financing during the three months ended March 31, 2007 or during the year ended December 31, 2006. We had $501.9 million and $197.4 million of CDO outstanding as of March 31, 2007 and December 31, 2006, respectively. The weighted average borrowing rate on these CDOs was 5.65% and 5.72% as of March 31, 2007 and December 31, 2006, respectively. The increase in the amount of CDOs outstanding between December 31, 2006 and March 31, 2007 is due to the sale of $164.9 million of NYMT 2005-2 securities on February 26, 2007 and $148.0 million of NYMT 2005-1 securities on March 26, 2007. The sales were treated as financings in accordance with SFAS No. 140.

Subordinated Debentures. As of March 31, 2007, 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 (9.10% at March 31, 2007 and 9.12% at December 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. To this end, terms of the hedges are matched closely to the terms of hedged items.

Balance Sheet Analysis - Financing Arrangements — Discontinued Operations

Financing Arrangements, Mortgage Loans Held for Sale. We had debt outstanding on our financing facilities which finance our mortgage loans held for sale of $98.6 million at March 31, 2007 as compared to $173.0 million at December 31, 2006. The weighted average borrowing rate on these financing facilities was 6.36% and 6.22% as of March 31, 2007 and December 31, 2006, respectively. The decrease in outstanding balances in mortgage loans held for sale and short-term borrowings is due to the Company's exit from the retail mortgage lending business. The Company will utilize the CSFB warehouse facility to dispose of all the remaining mortgage loans held for sale, which is expected to occur in the second quarter of 2007.

In the normal course of our mortgage loan origination business we entered into contractual IRLCs to extend credit to finance residential mortgages. These commitments, which contained fixed expiration dates, became effective when eligible borrowers locked-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 entered into FSLCs. Once a loan has been funded, our risk management objective for our mortgage loans held for sale was to protect earnings from an unexpected charge due to a decline in value of such mortgage loans. Our strategy was 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, 2007 and December 31, 2006 (dollar amounts in thousands):

	March 31, 2007	December 31, 2006
Derivative Assets:		
Continuing Operations:		
Interest rate caps	$ 1,300	$ 2,011
Interest rate swaps	—	621
Total derivative assets, continuing operations	1,300	2,632
Discontinued Operation:		
Forward loan sale contracts - loan commitments	1	48
Forward loan sale contracts - mortgage loans held for sale	—	39
Forward loan sale contracts - TBA securities	—	84
Interest rate lock commitments - loan commitments	37	—
Total derivative assets, discontinued operation	38	171
Total derivative assets	$ 1,338	$ 2,803
Derivative liabilities:		
Continuing Operations:		
Interest rate swaps	$ (183)	$ —
Discontinued Operation:		
Forward loan sale contracts - mortgage loans held for sale	(11)	—
Forward loan sale contracts - TBA securities	—	—
Interest rate lock commitments - loan commitments	(7)	(118)
Interest rate lock commitments - mortgage loans held for sale	—	(98)
Total derivative liabilities, discontinued operation	(18)	(216)
Total derivative liabilities	$ (201)	$ (216)

Balance Sheet Analysis - Stockholders' Equity

Stockholders' equity at March 31, 2007 was $65.1 million and included $5.5 million of net unrealized losses on available for sale securities and cash flow hedges presented as accumulated other comprehensive income.

Securitizations — Continuing Operations

During the three month period ended March 31, 2007, we did not complete a securitization transaction.

NYMT 2006-1. March 29, 2006 - 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 No. 140.

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.

Prior to 2006, we completed three securitizations and accrued for them as secured borrowings under SFAS No. 140.

NYMT 2005-1. February 25, 2005 - securitization of approximately $419.0 million of high-credit quality, first-lien, adjustable rate mortgage and hybrid adjustable rate mortgages. The amount of each class of notes, together with the interest rate and credit ratings for each class as rated by S&P, are set forth below (dollar amounts in thousands):

Class	Approximate Principal Amount		Interest Rate	S&P Rating
A	$	391,761	LIBOR + 27bps	AAA
M-1	$	18,854	LIBOR + 50bps	AA
M-2	$	6,075	LIBOR + 85bps	A

At the time of securitization, the weighted average loan-to-value of the mortgage loans in the trust was approximately 68.8% and the weighted average FICO score was approximately 729. The weighted average current loan rate of the pool of mortgage loans is approximately 5.36% and the weighted average maximum loan rate (after periodic rate resets) is 10.62%, and weighted average months to roll of 17 months with 64% rolling in 6 months.

NYMT 2005-2. July 29, 2005 - securitization of approximately $242.9 million of high-credit quality, first-lien, adjustable rate mortgage and hybrid adjustable rate mortgages. The amount of each class of notes, together with the interest rate and credit ratings for each class as rated by S&P, are set forth below (dollar amounts in thousands):

Class	Approximate Principal Amount	Interest Rate	S&P Rating

A	$	217,126	LIBOR + 33bps	AAA
M-1	$	16,029	LIBOR + 60bps	AA
M-2	$	6,314	LIBOR + 100bps	A

At the time of securitization, the weighted average loan-to-value of the mortgage loans in the trust was approximately 69.8% and the weighted average FICO score was approximately 736. The weighted average current loan rate of the pool of mortgage loans is approximately 5.46% and the weighted average maximum loan rate (after periodic rate resets) is 11.22%.

NYMT 2005-3. December 20, 2005 - securitization of approximately $235.0 million of high-credit quality, first-lien, adjustable rate mortgage and hybrid adjustable rate mortgages. The amount of each class of notes, together with the interest rate and credit ratings for each class as rated by S&P and Moody's, are set forth below (dollar amounts in thousands):

Class	Approximate Principal Amount	Interest Rate	S&P/Moody's Rating
A-1	$ 70,000	LIBOR + 24bps	AAA / Aaa
A-2	$ 98,267	LIBOR + 23bps	AAA / Aaa
A-3	$ 10,920	LIBOR + 32bps	AAA / Aaa
M-1	$ 25,380	LIBOR + 45bps	AA+ / Aa2
M-2	$ 24,088	LIBOR + 68bps	AA / A2

At the time of securitization, the weighted average loan-to-value of the mortgage loans in the Trust was approximately 69.5% and the weighted average FICO score was approximately 732. The weighted average current loan rate of the pool of mortgage loans is approximately 5.79% and the weighted average maximum loan rate (after periodic rate resets) is 11.58%.

Prepayment Experience — Continuing Operations

The cumulative prepayment rate ("CPR") on our mortgage loan portfolio averaged approximately 19% during the three month period ended March 31, 2007 as compared to 18% for the three month period ended March 31, 2006. CPRs on our purchased portfolio of investment securities averaged approximately 12% while the CPRs on loans held for investment or held in our securitization trusts averaged approximately 25% during the three month period ended March 31, 2007. When prepayment expectations over the remaining life of assets increase, we have to amortize premiums over a shorter time period resulting in a reduced yield to maturity on our investment assets. Conversely, if prepayment expectations decrease, the premium would be amortized over a longer period resulting in a higher yield to maturity. We monitor our prepayment experience on a monthly basis and adjust the amortization of our net premiums accordingly.

Results of Operations — Continuing Operations

Our results of operations for our mortgage portfolio 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 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.

Results of Operations — Discontinued Operations

Our results of operations for our now discontinued 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.

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, 2007 and each quarter of 2006.

	Number of Loans	Aggregate Principal Balance ($ in millions)	Percentage of Total Principal	Weighted Average Interest Rate	Average Principal Balance	Weighted Average LTV	Weighted Average FICO
2007:							
First Quarter							
ARM	419	$ 166.2	38.1%	6.93%	$ 396,660	71.0	711
Fixed-rate	1,089	259.6	59.6%	6.96%	238,319	75.4	717
Subtotal-non-FHA	1,508	425.8	97.7%	6.95%	282,314	73.7	715
FHA - ARM	—	—	—	—	—	—	—
FHA - fixed-rate	68	9.9	2.3%	6.21%	146,015	96.1	691
Subtotal - FHA	68	9.9	2.3%	6.21%	146,015	96.1	691
Total ARM	419	166.2	38.1%	6.93%	396,660	71.0	711
Total fixed-rate	1,157	269.5	61.9%	6.94%	232,894	76.2	716
Total Originations	1,576	$ 435.7	100.0%	6.94%	$ 276,433	74.2	714
Purchase mortgages	904	$ 241.4	55.4%	6.91%	$ 267,027	78.7	726
Refinancings	604	184.4	42.3%	7.01%	305,193	67.1	700
Subtotal-non-FHA	1,508	425.8	97.7%	6.95%	282,314	73.7	715
FHA - purchase	67	9.8	2.3%	6.21%	146,256	96.1	691
FHA - refinancings	1	0.1	0.0%	6.50%	129,920	94.8	652
Subtotal - FHA	68	9.9	2.3%	6.21%	146,015	96.1	691
Total purchase	971	251.2	57.7%	6.88%	258,694	79.4	725
Total refinancings	605	184.5	42.3%	7.01%	304,904	67.1	700
Total Originations	1,576	$ 435.7	100.0%	6.94%	$ 276,433	74.2	714
2006:							
Fourth Quarter							
ARM	647	$ 218.2	37.3%	7.10%	$ 337,270	73.5	699
Fixed-rate	1,609	353.7	60.4%	7.14%	219,835	75.8	712
Subtotal-non-FHA	**2,256**	**571.9**	**97.7%**	**7.13%**	**253,514**	**74.9**	**707**
FHA - ARM	—	—	—	—	—	—	—
FHA - fixed-rate	83	13.7	2.3%	6.42%	164,723	94.6	650
Subtotal - FHA	**83**	**13.7**	**2.3%**	**6.42%**	**164,723**	**94.6**	**650**
Total ARM	647	218.2	37.3%	7.10%	337,270	73.5	699
Total fixed-rate	1,692	367.4	62.7%	7.11%	217,132	76.5	709
Total Originations	**2,339**	**$ 585.6**	100.0%	**7.11%**	**$ 250,364**	**75.4**	**706**

	Number of Loans	Aggregate Principal Balance ($ in millions)	Percentage of Total Principal	Weighted Average Interest Rate	Average Principal Balance	Weighted Average LTV	Weighted Average FICO
Purchase mortgages	1,350	$ 306.0	52.3%	7.22%	$ 226,633	80.2	720
Refinancings	906	265.9	45.4%	7.02%	293,570	68.8	693
Subtotal-non-FHA	**2,256**	**571.9**	**97.7%**	**7.13%**	**253,514**	**74.9**	**707**
FHA - purchase	71	11.3	1.9%	6.35%	159,550	96.9	661
FHA - refinancings	12	2.4	0.4%	6.74%	195,333	83.4	597
Subtotal - FHA	**83**	**13.7**	**2.3%**	**6.42%**	**164,723**	**94.6**	**650**
Total purchase	1,421	317.3	54.2%	7.19%	223,281	80.8	717
Total refinancings	918	268.3	45.8%	7.02%	292,286	69.0	692
Total Originations	**2,339**	**$ 585.6**	**100.0%**	**7.11%**	**$ 250,364**	**75.4**	**706**
Third Quarter							
ARM	794	$ 237.6	39.4%	7.27%	$ 299,209	72.8	704
Fixed-rate	1,709	351.1	58.2%	7.48%	205,433	75.6	711
Subtotal-non-FHA	**2,503**	**588.7**	**97.6%**	**7.39%**	**235,180**	**74.5**	**708**
FHA - ARM	3	1.2	0.2%	6.06%	423,701	96.1	681
FHA - fixed-rate	82	12.9	2.2%	6.61%	157,096	96.1	652
Subtotal - FHA	**85**	**14.1**	**2.4%**	**6.56%**	**166,506**	**95.7**	**654**
Total ARM	797	238.8	39.6%	7.27%	299,678	72.9	704
Total fixed-rate	1,791	364.0	60.4%	7.45%	203,220	76.4	709
Total Originations	**2,588**	**$ 602.8**	**100.0%**	**7.38%**	**$ 232,925**	**75.0**	**707**
Purchase mortgages	1,594	$ 352.6	58.5	7.47%	$ 221,215	79.0	718
Refinancings	909	236.1	39.1	7.28%	259,670	67.8	693
Subtotal-non-FHA	**2,503**	**588.7**	**97.6%**	**7.39%**	**235,180**	**74.5**	**708**
FHA - purchase	70	11.9	2.0	6.50%	170,453	96.5	664
FHA - refinancings	15	2.2	0.4	6.84%	148,087	91.4	604
Subtotal - FHA	**85**	**14.1**	**2.4**	**6.56%**	**166,506**	**95.7**	**654**
Total purchase	1,664	364.5	60.5	7.44%	219,079	79.5	716
Total refinancings	924	238.3	39.5	7.27%	257,858	68.0	692
Total Originations	**2,588**	**$ 602.8**	**100.0%**	**7.38%**	**$ 232,925**	**75.0**	**707**
Second Quarter							
ARM	1,021	$ 352.4	47.5%	6.83%	$ 345,116	72.2	711
Fixed-rate	1,687	358.8	48.4%	7.21%	212,710	75.1	713
Subtotal-non-FHA	**2,708**	**711.2**	**95.9%**	**7.02%**	**262,631**	**73.7**	**712**
FHA - ARM	7	1.7	0.2%	5.60%	242,250	95.8	608
FHA - fixed-rate	170	28.9	3.9%	6.32%	169,950	93.3	662
Subtotal - FHA	**177**	**30.6**	**4.1%**	**6.28%**	**172,809**	**93.4**	**659**
Total ARM	1,028	354.1	47.7%	6.82%	344,415	72.3	711
Total fixed-rate	1,857	387.7	52.3%	7.14%	208,795	76.5	709
Total Originations	**2,885**	**$ 741.8**	**100.0%**	**6.99%**	**$ 257,120**	**74.5**	**710**

	Number of Loans	Aggregate Principal Balance ($ in millions)	Percentage of Total Principal	Weighted Average Interest Rate	Average Principal Balance	Weighted Average LTV	Weighted Average FICO
Purchase mortgages	1,792	$ 434.7	58.6%	7.10%	$ 242,591	78.7	720
Refinancings	916	276.5	37.3%	6.89%	301,836	65.8	698
Subtotal-non-FHA	**2,708**	**711.2**	**95.9%**	**7.02%**	**262,631**	**73.7**	**712**
FHA - purchase	108	19.2	2.6%	6.23%	178,164	96.6	669
FHA - refinancings	69	11.4	1.5%	6.38%	164,429	88.0	642
Subtotal - FHA	**177**	**30.6**	**4.1%**	**6.28%**	**172,809**	**93.4**	**659**
Total purchase	1,900	453.9	61.2%	7.07%	238,929	79.4	718
Total refinancings	985	287.9	38.8%	6.87%	292,210	66.7	696
Total Originations	**2,885**	**$ 741.8**	**100.0%**	**6.99%**	**$ 257,120**	**74.5**	**710**
First Quarter							
ARM	924	$ 290.6	47.3%	6.71%	$ 314,555	71.6	705
Fixed-rate	1,442	299.2	48.8%	7.06%	207,519	73.3	712
Subtotal-non-FHA	**2,366**	**589.8**	**96.1%**	**6.89%**	**249,320**	**72.5**	**709**
FHA - ARM	2	0.5	0.1%	5.57%	228,253	93.0	646
FHA - fixed-rate	142	23.5	3.8%	6.13%	165,161	92.7	650
Subtotal - FHA	**144**	**24.0**	**3.9%**	**6.12%**	**166,037**	**92.7**	**650**
Total ARM	926	291.1	47.4%	6.71%	314,369	71.7	705
Total fixed-rate	1,584	322.7	52.6%	6.99%	203,722	74.7	708
Total Originations	**2,510**	**$ 613.8**	**100.0%**	**6.86%**	**$ 244,542**	**73.2**	**706**
Purchase mortgages	1,430	$ 335.5	54.7%	6.94%	$ 234,600	77.2	722
Refinancings	936	254.3	41.4%	6.81%	271,809	66.2	692
Subtotal-non-FHA	**2,366**	**589.8**	**96.1%**	**6.89%**	**249,320**	**72.5**	**709**
FHA - purchase	70	12.7	2.1%	6.07%	181,325	96.4	655
FHA - refinancings	74	11.3	1.8%	6.17%	151,576	88.6	645
Subtotal - FHA	**144**	**24.0**	**3.9%**	**6.12%**	**166,037**	**92.7**	**650**
Total purchase	1,500	348.2	56.7%	6.91%	232,144	77.9	719
Total refinancings	1,010	265.6	43.3%	6.78%	263,000	67.1	690
Total Originations	**2,510**	**$ 613.8**	**100.0%**	**6.86%**	**$ 244,542**	**73.2**	**706**

Any change in loan origination volume and other operational and financial performance results was primarily dependent on the number of offices and our level of staffing 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 are somewhat variable in terms of have flexibility to scale operations based on volume levels. Our staffing levels also have a high correlation to levels of expense for marketing and promotion, office supplies, data processing, and travel and entertainment expenses. Likewise, the number of offices and branches which we operate has a high correlation to occupancy and equipment expense.

Other Operational Information

	March 31, 2007			2006	% change
	Continuing(1)	Discontinued(2)	Total	Total	
Loan officers	—	280	280	372	(24.7)%
Other employees	35	147	182	380	(52.1)%
Total employees	35	427	462	752	(38.6)%
Number of sales locations	—	41	41	53	(22.6)%

(1) Once the Company completes its transition from an active REIT (one that originates mortgages) to a passive REIT (one that invests solely in closed loans), which the Company expects will be in the third quarter of 2007, the longterm employee head count will be approximately 8-10 people.

(2) In connection with the sale of our wholesale mortgage lending platform assets on February 22, 2007 and the sale of our retail mortgage lending platform assets to Indymac on March 31, 2007, the Company exited the mortgage lending business and significantly reduced its staffing needs. As of March 31, 2007, the Company does not employ any loan officers and does not maintain any sales locations.

Results of Operations - Comparison of Three Months Ended March 31, 2007 and March 31, 2006

Net Income -Consolidated Overview

Comparative Net Income

	As of March 31, 2007	As of March 31, 2006	% Change
	(dollar amounts, except per share amounts, in thousands)		
Net loss	$ (4,741)	$ (1,796)	(164.0)%
EPS (Basic)	$ (0.26)	$ (0.10)	(160.0)%
EPS (Diluted)	$ (0.26)	$ (0.10)	(160.0)%

For the three months ended March 31, 2007, we reported net loss of $4.7 million, as compared to net loss of $1.8 million for the three months ended March 31, 2006. The increase in net loss is attributable to a reduction in gain on sale income from the mortgage lending segment as well as a reduction in net interest income from the investment portfolio. Included in the net loss is a gain of $5.2 million from the sale of the mortgage lending platform to Indymac.

Comparative Net Interest Income

	As of March 31, 2007	As of March 31, 2006	% Change
	(dollar amounts in thousands)		
Interest income	$ 13,713	$ 17,584	(22.0)%
Interest expense	13,966	14,964	(6.7)%
Net interest (expense) income	$ (253)	$ 2,620	(109.7)%

For the three months ended March 31, 2007, we reported net interest expense of $0.3 million as compared to net interest income of $2.6 million for the same period in 2006. Net interest income decreased by $2.9 million for the three months ended March 31, 2007 from the same period in 2006. The change was primarily due to an increase interest expense without the corresponding increase in interest income on the portfolio assets. In addition, the average amount invested in the investment securities portfolio and mortgage loans held in securitization trust decreased by approximately $455.9 million as compared to March 31, 2006.

Net Interest Income. The following table summarizes the changes in net interest income for the three months ended March 31, 2007 and 2006:

Yields Earned on Mortgage Loans and Securities and Rates on Financial Arrangements

2007			2006	
Average Balance	Amount	Yield/ Rate	Average Balance	Amount