

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2015

OR

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

For the transition period from _____ to _____

Commission file number 001-32216

NEW YORK MORTGAGE TRUST, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction of
Incorporation or Organization)

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

275 Madison Avenue, New York, New York 10016
(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 ☐ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☐

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

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☐ Smaller Reporting Company ☐

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

Yes ☐ No ☐

The number of shares of the registrant's common stock, par value \$0.01 per share, outstanding on May 01, 2015 was 109,366,097.

NEW YORK MORTGAGE TRUST, INC.

FORM 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (Dollar amounts in thousands, except per share data)

	March 31, 2015	December 31, 2014
ASSETS	(unaudited)	
Investment securities, available for sale, at fair value (including pledged securities of \$686,317 and \$702,684, respectively)	\$ 801,544	\$ 816,647
Investment securities, available for sale, at fair value held in securitization trusts	39,251	38,594
Residential mortgage loans held in securitization trusts (net)	142,677	149,614
Distressed residential mortgage loans held in securitization trusts (net)	213,296	221,591
Distressed residential mortgage loans	355,683	361,106
Multi-family loans held in securitization trusts, at fair value	7,399,851	8,365,514
Derivative assets	335,341	288,850
Cash and cash equivalents	88,990	75,598
Receivables and other assets	208,160	222,491
Total Assets (1)	\$ 9,584,793	\$ 10,540,005
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Financing arrangements, portfolio investments	\$ 619,741	\$ 651,965
Financing arrangements, distressed residential mortgage loans	238,228	238,949
Residential collateralized debt obligations	138,367	145,542
Multi-family collateralized debt obligations, at fair value	7,106,681	8,048,053
Securitized debt	200,312	232,877
Derivative liabilities	6,675	1,463
Payable for securities purchased	330,772	283,537
Accrued expenses and other liabilities (including \$3,450 and \$6,317 to related parties, respectively)	65,258	74,692
Subordinated debentures	45,000	45,000
Total liabilities (1)	8,751,034	9,722,078
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, \$0.01 par value, 7.75% Series B cumulative redeemable, \$25 liquidation preference per share, 6,000,000 and 3,450,000 shares authorized as of March 31, 2015 and December 31, 2014, respectively, 3,000,000 shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively	72,397	72,397
Common stock, \$0.01 par value, 400,000,000 shares authorized, 107,952,340 and 105,094,565 shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively	1,080	1,051
Additional paid-in capital	722,855	701,871
Accumulated other comprehensive income	11,891	10,015
Retained earnings	25,536	32,593
Total stockholders' equity	833,759	817,927
Total Liabilities and Stockholders' Equity	\$ 9,584,793	\$ 10,540,005

(1) Our condensed consolidated balance sheets include assets and liabilities of consolidated variable interest entities ("VIEs") as the Company is the primary beneficiary of these VIEs. As of March 31, 2015 and December 31, 2014, assets of consolidated VIEs totaled \$7,837,741 and \$8,847,078, respectively, and the liabilities of consolidated VIEs totaled \$7,470,411 and \$8,457,034, respectively. See Note 7 for further discussion.

The accompanying notes are an integral part of the consolidated financial statements.

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

	For the Three Months Ended March 31,	
	2015	2014
INTEREST INCOME:		
Investment securities and other	\$ 11,344	\$ 14,964
Multi-family loans held in securitization trusts	66,300	74,944
Residential mortgage loans held in securitization trusts	1,123	987
Distressed residential mortgage loans	10,218	4,343
Total interest income	88,985	95,238
INTEREST EXPENSE:		
Investment securities and other	3,036	1,470
Multi-family collateralized debt obligations	60,095	68,747
Residential collateralized debt obligations	239	235
Securitized debt	3,554	4,502
Subordinated debentures	460	459
Total interest expense	67,384	75,413
NET INTEREST INCOME	21,601	19,825
OTHER INCOME:		
Provision for loan losses	(436)	(489)
Realized gain on investment securities and related hedges, net	1,124	2,039
Gain on de-consolidation of multi-family loans held in securitization trusts and multi-family collateralized debt obligations	1,483	—
Realized gain on distressed residential mortgage loans	676	8,225
Unrealized loss on investment securities and related hedges, net	(5,728)	(1,736)
Unrealized gain on multi-family loans and debt held in securitization trusts, net	13,628	4,926
Other income (including \$1,876 and \$318 from related parties, respectively)	2,286	510
Total other income	13,033	13,475
EXPENSES:		
Base management and incentive fees (including \$3,917 and \$1,090 to related parties, respectively)	6,870	3,778
Expenses related to distressed residential mortgage loans	1,884	1,212
Other general and administrative expenses (including \$0 and \$80 to related parties, respectively)	2,092	2,569
Total expenses	10,846	7,559
INCOME FROM OPERATIONS BEFORE INCOME TAXES	23,788	25,741
Income tax expense	245	3,030
NET INCOME	23,543	22,711
Preferred stock dividends	(1,453)	(1,453)
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 22,090	\$ 21,258
Basic income per common share	\$ 0.21	\$ 0.29
Diluted income per common share	\$ 0.21	\$ 0.29
Weighted average shares outstanding-basic	105,488	74,505
Weighted average shares outstanding-diluted	105,488	74,505

The accompanying notes are an integral part of the consolidated financial statements.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollar amounts in thousands)
(unaudited)

	For the Three Months Ended March 31,	
	2015	2014
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 22,090	\$ 21,258
OTHER COMPREHENSIVE INCOME		
Increase in net unrealized gain on available for sale securities	3,137	8,450
Decrease in fair value of derivative instruments utilized for cash flow hedges	(1,261)	(129)
OTHER COMPREHENSIVE INCOME	1,876	8,321
COMPREHENSIVE INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	<u>\$ 23,966</u>	<u>\$ 29,579</u>

The accompanying notes are an integral part of the consolidated financial statements.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollar amounts in thousands)
(unaudited)

	Common Stock	Preferred Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2014	\$ 1,051	\$ 72,397	\$ 701,871	\$ 32,593	\$ 10,015	\$ 817,927
Net income	—	—	—	23,543	—	23,543
Stock issuance, net	29	—	20,984	—	—	21,013
Dividends declared	—	—	—	(30,600)	—	(30,600)
Increase in net unrealized gain on available for sale securities	—	—	—	—	3,137	3,137
Decrease in fair value of derivative instruments utilized for cash flow hedges	—	—	—	—	(1,261)	(1,261)
Balance, March 31, 2015	<u>\$ 1,080</u>	<u>\$ 72,397</u>	<u>\$ 722,855</u>	<u>\$ 25,536</u>	<u>\$ 11,891</u>	<u>\$ 833,759</u>

The accompanying notes are an integral part of the consolidated financial statements.

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

	For the Three Months Ended March 31,	
	2015	2014
Cash Flows from Operating Activities:		
Net income	\$ 23,543	\$ 22,711
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization	(1,226)	(1,316)
Realized gain on investment securities and related hedges, net	(1,124)	(2,039)
Realized gain on distressed residential mortgage loans	(676)	(8,225)
Unrealized loss on investment securities and related hedges, net	5,728	1,736
Gain on de-consolidation of multi-family loans held in securitization trusts and multi-family collateralized debt obligations	(1,483)	—
Unrealized gain on loans and debt held in multi-family securitization trusts	(13,628)	(4,926)
Net decrease in loans held for sale	4	14
Provision for loan losses	436	489
Income from investments in limited partnerships and limited liability companies	(2,920)	(528)
Distributions of income from investments in limited partnership and limited liability companies	2,302	289
Sale of real estate owned	344	—
Amortization of stock based compensation, net	174	208
Changes in operating assets and liabilities:		
Receivables and other assets	(136)	188
Accrued expenses and other liabilities and accrued expenses, related parties	(5,346)	1,981
Net cash provided by operating activities	<u>5,992</u>	<u>10,582</u>
Cash Flows from Investing Activities:		
Restricted cash	1,534	(34,734)
Purchases of investment securities	—	(12,486)
Purchases of other assets	(4)	(77)
Funding of mezzanine loans and preferred equity investments	(12,701)	(6,930)
Net proceeds on other derivative instruments settled during the period	1,165	2,171
Principal repayments received on residential mortgage loans held in securitization trusts	6,776	3,985
Principal repayments and proceeds from sales and refinancing of distressed residential mortgage loans	36,643	42,766
Principal repayments received on multi-family loans held in securitization trusts	19,793	16,592
Principal paydowns on investment securities - available for sale	11,618	21,335
Purchases of residential mortgage loans and distressed residential mortgage loans	—	(4,780)
Sales of loans held in multi-family securitization trusts	44,261	—
Net cash provided by investing activities	<u>109,085</u>	<u>27,842</u>
Cash Flows from Financing Activities:		
Payments made on financing arrangements	(32,945)	(23,298)
Common stock issuance, net	20,839	75,830
Dividends paid on common stock	(28,376)	(17,295)
Dividends paid on preferred stock	(1,453)	(1,453)
Payments made on residential collateralized debt obligations	(7,205)	(3,968)
Payments made on multi-family collateralized debt obligations	(19,790)	(16,592)
Payments made on securitized debt	(32,755)	(6,938)
Net cash (used in) provided by financing activities	<u>(101,685)</u>	<u>6,286</u>
Net Increase in Cash and Cash Equivalents	<u>13,392</u>	<u>44,710</u>
Cash and Cash Equivalents - Beginning of Period	<u>75,598</u>	<u>31,798</u>
Cash and Cash Equivalents - End of Period	<u>\$ 88,990</u>	<u>\$ 76,508</u>
Supplemental Disclosure:		
Cash paid for interest	<u>\$ 82,606</u>	<u>\$ 87,692</u>
Cash paid for income taxes	<u>\$ 1,180</u>	<u>\$ 1,026</u>
Non-Cash Investment Activities:		
Sales of investment securities not yet settled	<u>\$ 19,373</u>	<u>\$ —</u>
Purchase of investment securities not yet settled	<u>\$ 350,145</u>	<u>\$ 204,840</u>
Deconsolidation of multi-family loans held in securitization trusts	<u>\$ 1,075,529</u>	<u>\$ —</u>
Deconsolidation of multi-family collateralized debt obligations	<u>\$ 1,031,268</u>	<u>\$ —</u>

Non-Cash Financing Activities:

Dividends declared on common stock to be paid in subsequent period	<u>\$ 29,147</u>	<u>\$ 20,441</u>
Dividends declared on preferred stock to be paid in subsequent period	<u>\$ 1,453</u>	<u>\$ 1,453</u>

The accompanying notes are an integral part of the consolidated financial statements.

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015
(unaudited)

1. Organization

New York Mortgage Trust, Inc., together with its consolidated subsidiaries ("NYMT," and the "Company"), is a real estate investment trust, or REIT, in the business of acquiring, investing in, financing and managing primarily mortgage-related assets and financial assets. Our objective is to manage a portfolio of investments that will deliver stable distributions to our stockholders over diverse economic conditions. We intend to achieve this objective through a combination of net interest margin and net realized capital gains from our investment portfolio. Our portfolio includes investments in mortgage-related and financial assets, residential mortgage loans, including loans sourced from distressed markets, multi-family CMBS, direct financing to owners of multi-family properties through mezzanine loans and preferred equity investments, equity and debt securities issued by entities that invest in commercial real estate-related debt investments, Agency RMBS consisting of fixed-rate, adjustable-rate and hybrid adjustable-rate RMBS and Agency IOs consisting of interest only and inverse interest-only RMBS that represent the right to the interest component of the cash flow from a pool of mortgage loans.

The Company conducts its business through the parent company, NYMT, and several subsidiaries, including special purpose subsidiaries established for residential loan and CMBS securitization purposes, taxable REIT subsidiaries ("TRSs") and qualified REIT subsidiaries ("QRSs"). The Company consolidates all of its subsidiaries under generally accepted accounting principles in the United States of America ("GAAP").

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.

2. Summary of Significant Accounting Policies

Definitions – The following defines certain of the commonly used terms in these financial statements: "RMBS" refers to residential adjustable-rate, hybrid adjustable-rate, fixed-rate, interest only and inverse interest only and principal only mortgage-backed securities; "Agency RMBS" refers to RMBS representing interests in or obligations backed by pools of mortgage loans issued or guaranteed by a federally chartered corporation ("GSE"), such as the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac"), or an agency of the U.S. government, such as the Government National Mortgage Association ("Ginnie Mae"); "non-Agency RMBS" refers to RMBS backed by prime jumbo mortgage loans; "IOs" refers collectively to interest only and inverse interest only mortgage-backed securities that represent the right to the interest component of the cash flow from a pool of mortgage loans; "POs" refers to mortgage-backed securities that represent the right to the principal component of the cash flow from a pool of mortgage loans; "Agency IOs" refers to an IO that represents the right to the interest component of the cash flows from a pool of residential mortgage loans issued or guaranteed by a GSE or an agency of the U.S. government; "ARMs" refers to adjustable-rate residential mortgage loans; "Prime ARM loans" and "residential securitized loans" each refer to prime credit quality residential ARM loans ("prime ARM loans") held in securitization trusts; "Agency ARMs" refers to Agency RMBS comprised of adjustable-rate and hybrid adjustable-rate RMBS; "CMBS" refers to commercial mortgage-backed securities comprised of commercial mortgage pass-through securities, as well as IO or PO securities that represent the right to a specific component of the cash flow from a pool of commercial mortgage loans; "multi-family CMBS" refers to CMBS backed by commercial mortgage loans on multi-family properties; "CDOs" refers to collateralized debt obligations; and "CLO" refers to collateralized loan obligations.

Basis of Presentation – The accompanying condensed consolidated balance sheet as of December 31, 2014 has been derived from audited financial statements. The accompanying condensed consolidated balance sheet as of March 31, 2015, the accompanying condensed consolidated statements of operations for the three months ended March 31, 2015 and 2014, the accompanying condensed consolidated statements of comprehensive income for the three months ended March 31, 2015 and 2014, the accompanying condensed consolidated statement of changes in stockholders' equity for the three months ended March 31, 2015 and the accompanying condensed consolidated statements of cash flows for the three months ended March 31, 2015 and 2014 are unaudited. In our opinion, all adjustments (which include only normal recurring adjustments) necessary to present fairly the Company's financial position, results of operations and cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted in accordance with Article 10 of Regulation S-X and the instructions to Form 10-Q. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the U.S. Securities and Exchange Commission ("SEC"). The results of operations for the three months ended March 31, 2015 are not necessarily indicative of the operating results for the full year.

The accompanying condensed consolidated financial statements have been prepared on the accrual basis of accounting in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although the Company's estimates contemplate current conditions and how it expects them to change in the future, it is reasonably possible that actual conditions could be different than anticipated in those estimates, which could materially impact the Company's results of operations and its financial condition. Management has made significant estimates in several areas, including valuation of its CMBS investments, multi-family loans held in securitization trusts and multi-family CDOs, as well as, income recognition on distressed residential mortgage loans purchased at a discount.

Principles of Consolidation and Variable Interest Entities – The accompanying condensed consolidated financial statements of the Company include the accounts of all its subsidiaries which are majority-owned, controlled by the Company or a variable interest entity ("VIE") where the Company is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

A VIE is an entity that lacks one or more of the characteristics of a voting interest entity. A VIE is defined as an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The Company consolidates a VIE when it is the primary beneficiary of such VIE. As primary beneficiary, it has both the power to direct the activities that most significantly impact the economic performance of the VIE and a right to receive benefits or absorb losses of the entity that could be potentially significant to the VIE. The Company is required to reconsider its evaluation of whether to consolidate a VIE each reporting period, based upon changes in the facts and circumstances pertaining to the VIE.

Investment Securities Available for Sale – The Company's investment securities, where the fair value option has not been elected and which are reported at fair value with unrealized gains and losses reported in Other Comprehensive Income ("OCI"), include Agency RMBS, non-Agency RMBS and CLOs. The Company has elected the fair value option for its Agency IOs and U.S. Treasury securities, which measures unrealized gains and losses through earnings in the accompanying condensed consolidated statements of operations. The fair value option was elected for Agency IOs and U.S. Treasury securities to mitigate earnings volatility by better matching the accounting for these investment securities with the related derivative instruments which are not designated as hedging instruments for accounting purposes, with unrealized gains and losses recognized through earnings in the accompanying condensed consolidated statements of operations within the Agency IO portfolio.

The Company generally intends to hold its investment securities until maturity; however, from time to time, it may sell any of its securities as part of the overall management of its business. As a result, our investment securities are classified as available for sale securities.

Realized gains and losses recorded on the sale of investment securities available for sale are based on the specific identification method and included in realized gain (loss) on investment securities and related hedges in the accompanying condensed consolidated statements of operations. Purchase premiums or discounts on investment securities are amortized or accreted to interest income over the estimated life of the investment securities using the effective yield method. Adjustments to amortization are made for actual prepayment activity.

The Company accounts for debt securities that are of high credit quality (generally those rated AA or better by a Nationally Recognized Statistical Rating Organization, or NRSRO), at date of acquisition in accordance with Accounting Standards Codification (“ASC”) 320-10. The Company accounts for debt securities that are not of high credit quality (i.e., those whose risk of loss is less than remote) or securities that can be contractually prepaid such that we would not recover our initial investment at the date of acquisition in accordance with ASC 325-40. The Company considers credit ratings, the underlying credit risk and other market factors in determining whether the debt securities are of high credit quality; however, securities rated lower than AA or an equivalent rating are not considered of high credit quality and are accounted for in accordance with ASC 325-40. If ratings are inconsistent among NRSROs, the Company uses the lower rating in determining whether the securities are of high credit quality.

The Company assesses its impaired securities on at least a quarterly basis and designates such impairments as either “temporary” or “other-than-temporary” by applying the guidance prescribed in ASC Topic 320-10. When the fair value of an investment security is less than its amortized cost as of the reporting balance sheet date, the security is considered impaired. If the Company intends to sell an impaired security, or it is more likely than not that it will be required to sell the impaired security before its anticipated recovery, then it must recognize an other-than-temporary impairment through earnings equal to the entire difference between the investment’s amortized cost and its fair value as of the balance sheet date. If the Company does not expect to sell an other-than-temporarily impaired security, only the portion of the other-than-temporary impairment related to credit losses is recognized through earnings with the remainder recognized as a component of other comprehensive income (loss) on the accompanying condensed consolidated balance sheets. Impairments recognized through other comprehensive income (loss) do not impact earnings. Following the recognition of an other-than-temporary impairment through earnings, a new cost basis is established for the security, which may not be adjusted for subsequent recoveries in fair value through earnings. However, other-than-temporary impairments recognized through earnings may be accreted back to the amortized cost basis of the security on a prospective basis through interest income. The determination as to whether an other-than-temporary impairment exists and, if so, the amount considered other-than-temporarily impaired is subjective, as such determinations are based on both factual and subjective information available at the time of assessment as well the Company’s estimates of the future performance and cash flow projections. As a result, the timing and amount of other-than-temporary impairments constitute material estimates that are susceptible to significant change.

In determining the other-than temporary impairment related to credit losses for securities that are not of high credit quality, the Company compares the present value of the remaining cash flows expected to be collected at the purchase date (or last date previously revised) against the present value of the cash flows expected to be collected at the current financial reporting date. The Company considers information available about the past and expected future performance of underlying mortgage loans, including timing of expected future cash flows, prepayment rates, default rates, loss severities and delinquency rates.

Investment Securities Available for Sale Held in Securitization Trusts – The Company’s investment securities available for sale held in securitization trusts as of March 31, 2015 and December 31, 2014 are comprised of multi-family CMBS consisting of PO securities that represent the first loss tranche of the securitizations from which they were issued, or “first loss tranche”, and certain IOs issued from two Freddie Mac-sponsored multi-family K-Series securitizations. These securities are reported at fair value with unrealized gains and losses reported in OCI. Realized gains and losses recorded on the sale of investment securities available for sale held in securitization trusts are based on the specific identification method and included in realized gain (loss) on sale of securities and related hedges in the accompanying condensed consolidated statements of operations. Purchase premiums or discounts are amortized or accreted to interest income over the estimated life of the investment securities using the effective yield method.

Residential Mortgage Loans Held in Securitization Trusts – Residential mortgage loans held in securitization trusts are comprised of certain ARM loans transferred to Consolidated VIEs that have been securitized into sequentially rated classes of beneficial interests. The Company accounted for these securitization trusts as financings which are consolidated into the Company’s financial statements. Residential mortgage loans held in securitization trusts are carried at their unpaid principal balances, net of unamortized premium or discount, unamortized loan origination costs and allowance for loan losses. 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.

We establish an allowance for loan losses based on management’s judgment and estimate of credit losses inherent in our portfolio of residential mortgage loans held in securitization trusts. Estimation involves the consideration of various credit-related factors, including but not limited to, macro-economic conditions, current housing market conditions, loan-to-value ratios, delinquency status, historical credit loss severity rates, purchased mortgage insurance, the borrower’s current economic condition and other factors deemed to warrant consideration. Additionally, we look at the balance of any delinquent loan and compare that to the current value of the collateralizing property. We utilize various home valuation methodologies including appraisals, broker pricing opinions, internet-based property data services to review comparable properties in the same area or consult with a real estate agent in the property’s area.

Acquired Distressed Residential Mortgage Loans – Distressed residential mortgage loans held in securitization trusts are comprised of pools of fixed and adjustable rate residential mortgage loans acquired by the Company at a discount (that is due, in part, to the credit quality of the borrower). Distressed residential mortgage loans held in securitization trusts are distressed residential mortgage loans transferred to Consolidated VIEs that have been securitized into beneficial interests. The Company accounted for these securitization trusts as financings which are consolidated into the Company's financial statements.

The Company considers the purchase price for the acquired distressed residential mortgage loans to be at fair value at the date of acquisition. These acquired distressed residential mortgage loans were initially recorded at fair value with no allowance for loan losses.

Acquired distressed residential mortgage loans that have evidence of deteriorated credit quality at acquisition are accounted for under ASC Subtopic 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality" ("ASC 310-30"). Under ASC 310-30, the acquired loans may be accounted for individually or aggregated and accounted for as a pool of loans if the loans being aggregated have common risk characteristics. A pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Once a pool is assembled, it is treated as if it was one loan for purposes of applying the accounting guidance

Under ASC 310-30, the excess of cash flows expected to be collected over the carrying amount of the loans, referred to as the "accretable yield," is accreted into interest income over the life of the loans in each pool or individually using a level yield methodology. Accordingly, our acquired distressed residential mortgage loans accounted for under ASC 310-30 are not subject to classification as nonaccrual classification in the same manner as our residential mortgage loans that were not distressed when acquired by us. Rather, interest income on acquired distressed residential mortgage loans relates to the accretable yield recognized at the pool level or on an individual loan basis, and not to contractual interest payments received at the loan level. The difference between contractually required principal and interest payments and the cash flows expected to be collected, referred to as the "nonaccretable difference," includes estimates of both the impact of prepayments and expected credit losses over the life of the individual loan, or the pool (for loans grouped into a pool).

The Company monitors actual cash collections against its expectations, and revised cash flow estimates are prepared as necessary. These estimates incorporate assumptions regarding default rates, loss severities, value of the underlying real estate securing the loans, the amounts and timing of prepayments and other factors that reflect then-current market conditions. A decrease in expected cash flows in subsequent periods may indicate that the loan pool or individual loan, as applicable, is impaired thus requiring the establishment of an allowance for loan losses by a charge to the provision for loan losses. An increase in expected cash flows in subsequent periods initially reduces any previously established allowance for loan losses by the increase in the present value of cash flows expected to be collected, and results in a recalculation of the amount of accretable yield for the loan pool. The adjustment of accretable yield due to an increase in expected cash flows is accounted for prospectively as a change in estimate. The additional cash flows expected to be collected are reclassified from the nonaccretable difference to the accretable yield, and the amount of periodic accretion is adjusted accordingly over the remaining life of the loans in the pool or individual loan, as applicable. The impacts of (i) prepayments, (ii) changes in variable interest rates, and (iii) any other changes in the timing of expected cash flows are recognized prospectively as adjustments to interest income.

An acquired distressed residential mortgage loan may be resolved either through receipt of payment (in full or in part) from the borrower, the sale of the loan to a third party, or foreclosure of the collateral. For acquired distressed residential mortgage loans held in pools, in the event of a sale of the loan, a gain or loss on sale is recognized and reported based on the difference between the sales proceeds and the carrying amount of the acquired distressed residential mortgage loan. In the case of a foreclosure, an individual loan is removed from the pool at the fair value of the underlying collateral less costs to sell. For loans satisfied by payment in full, the loan is removed from the pool. The Company uses the specific allocation method for the removal of loans as the estimated cash flows and related carrying amount for each individual loan are known. In these cases, the remaining accretable yield is unaffected and any material change in remaining effective yield caused by the removal of the loan from the pool is addressed by the re-assessment of the estimate of cash flows for the pool prospectively. Acquired distressed residential mortgage loans subject to modification are not removed from the pool even if those loans would otherwise be considered troubled debt restructurings because the pool, and not the individual loan, represents the unit of account.

For individual loans not accounted for in pools that are sold or satisfied by payment in full, a gain or loss on sale is recognized and reported based on the difference between the sales proceeds and the carrying amount of the acquired distressed residential mortgage loan. In the case of a foreclosure, the loss is recognized if the carrying value exceeds the fair value of the collateral (less costs to sell). A gain is not recognized if the fair value of collateral (less costs to sell) exceeds the carrying value.

Multi-Family Loans Held in Securitization Trusts – Multi-family loans held in securitization trusts are comprised of multi-family mortgage loans held in five and six Freddie Mac-sponsored multi-family K-Series securitizations (the “Consolidated K-Series”) as of March 31, 2015 and December 31, 2014, respectively. Based on a number of factors, we determined that we were the primary beneficiary of each VIE within the Consolidated K-Series, met the criteria for consolidation and, accordingly, have consolidated these Freddie Mac-sponsored multi-family K-Series securitizations, including their assets, liabilities, income and expenses in our financial statements. The Company has elected the fair value option on each of the assets and liabilities held within the Consolidated K-Series, which requires that changes in valuations in the assets and liabilities of the Consolidated K-Series be reflected in the Company’s accompanying condensed consolidated statement of operations, as the Company believes this accounting treatment more accurately and consistently reflects its results of operations.

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.

Mezzanine Loan and Preferred Equity Investments – The Company invests in mezzanine loans and preferred equity of entities that have significant real estate assets. The mezzanine loan is secured by a pledge of the borrower’s equity ownership in the property. Unlike a mortgage, this loan does not represent a lien on the property. Therefore, it is always junior and subordinate to any first-lien as well as second liens, if applicable, on the property. These loans are senior to any preferred equity or common equity interests. Purchasers of mezzanine loans benefit from a right to foreclose on the ownership equity in a more efficient manner than senior mortgage debt.

A preferred equity investment is an equity investment in the entity that owns the underlying property. Preferred equity is not secured by the underlying property, but holders have priority relative to common equity holders on cash flow distributions and proceeds from capital events. In addition, preferred equity holders may be able to enhance their position and protect their equity position with covenants that limit the entity’s activities and grant the holder the exclusive right to control the property after an event of default.

Mezzanine loans and preferred equity investments, where the risks and payment characteristics are equivalent to mezzanine loans, are accounted for as loans held for investment and are stated at unpaid principal balance, adjusted for any unamortized premium or discount, deferred fees or expenses, net of valuation allowances, and are included in receivables and other assets. We accrete or amortize any discounts or premiums over the life of the related loan receivable utilizing the effective interest method or straight line-method, if the result is not materially different. We evaluate the collectability of both interest and principal of each of our loans, if circumstances warrant, to determine whether they are impaired. A loan is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the investment to the estimated fair value of the loan or, as a practical expedient, to the value of the collateral if the loan is collateral dependent.

Mezzanine loans and preferred equity investments where the risks and payment characteristics are equivalent to an equity investment are accounted for using the equity method of accounting. See “*Investment in Limited Partnership and Limited Liability Companies*” for a description of our accounting policy for Investments in Limited Partnerships and Limited Liability Companies. The mezzanine loans and preferred equity investments are included in receivables and other assets.

Mortgage Loans Held for Investment – Mortgage loans held for investment are stated at unpaid principal balance, adjusted for any unamortized premium or discount, deferred fees or expenses, net of valuation allowances, and are included in receivables and other assets. Interest income is accrued on the principal amount of the loan based on the loan’s contractual interest rate. Amortization of premiums and discounts is recorded using the effective yield method. Interest income, amortization of premiums and discounts and prepayment fees are reported in interest income. A loan is considered to be impaired when it is probable that based upon current information and events, the Company will be unable to collect all amounts due under the contractual terms of the loan agreement. Based on the facts and circumstances of the individual loans being impaired, loan specific valuation allowances are established for the excess carrying value of the loan over either: (i) the present value of expected future cash flows discounted at the loan’s original effective interest rate, (ii) the estimated fair value of the loan’s underlying collateral if the loan is in the process of foreclosure or otherwise collateral dependent, or (iii) the loan’s observable market price.

Investments in Limited Partnership and Limited Liability Companies – In circumstances where the Company has a non-controlling interest but either owns a significant interest or is able to exert influence over the affairs of the enterprise, the Company utilizes the equity method of accounting. Under the equity method of accounting, the initial investment is increased each period for additional capital contributions and a proportionate share of the entity's earnings or preferred return and decreased for cash distributions and a proportionate share of the entity's losses. Where the Company is not required to fund additional losses, the Company does not continue to record its proportionate share of the entity's losses such that its investment balance would go below zero.

Management periodically reviews its investments for impairment based on projected cash flows from the entity over the holding period. When any impairment is identified, the investments are written down to recoverable amounts.

Federal Home Loan Bank Advances - On February 20, 2015, our wholly-owned subsidiary, Great Lakes Insurance Holdings LLC ("GLIH"), became a member of the Federal Home Loan Bank of Indianapolis ("FHLBI"). As a member of the FHLBI, GLIH will have access to a variety of products and services offered by the FHLBI, including secured advances. As of March 31, 2015, GLIH had no outstanding secured advances from FHLBI and had \$200 million of available uncommitted credit for borrowings, which amount may be adjusted at the sole discretion of the FHLBI.

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.

Receivables and Other Assets – Receivables and other assets as of March 31, 2015 and December 31, 2014 include restricted cash held by third parties of \$52.7 million and \$54.2 million, respectively. Included in restricted cash is \$39.6 million and \$40.6 million held in our Agency IO portfolio to be used for trading purposes and \$11.1 million and \$11.4 million held by counterparties as collateral for hedging instruments as of March 31, 2015 and December 31, 2014, respectively. Interest receivable on multi-family loans held in securitization trusts is also included in the amounts of \$24.9 million and \$29.8 million as of March 31, 2015 and December 31, 2014, respectively.

Financing Arrangements, Portfolio Investments – The Company finances the majority of its Agency RMBS purchases using repurchase agreements. Under a repurchase agreement, an asset is sold to a counterparty to be repurchased at a future date at a predetermined price, which represents the original sales price plus interest. The Company accounts for these repurchase agreements as financings under ASC 860, *Transfers and Servicing*. Under ASC 860, for these transactions to be treated as financings, they must be separate transactions and not linked. If the Company finances the purchase of its securities with repurchase agreements with the same counterparty from which the securities are purchased and both transactions are entered into contemporaneously or in contemplation of each other, the transactions are presumed under GAAP to be part of the same arrangement, or a "Linked Transaction," unless certain criteria are met. None of the Company's repurchase agreements are accounted for as linked transactions because they met the applicable criteria in accordance with ASC 860-10-40.

Financing Arrangements, Distressed Residential Mortgage Loans – The Company finances a portion of its distressed residential mortgage loans through a repurchase agreement, expiring within one year. The borrowing under the repurchase agreement bears an interest rate of a specified margin over one-month LIBOR. The repurchase agreement is treated as a collateralized financing transaction and is carried at the contractual amounts, as specified in the respective agreement. Costs related to the establishment of the repurchase agreement which include underwriting, legal, accounting and other fees are reflected as deferred charges. Such costs are included on the Company's accompanying condensed consolidated balance sheets in receivables and other assets in the amount of \$1.3 million and \$1.7 million as of March 31, 2015 and December 31, 2014, respectively. These deferred charges are amortized as an adjustment to interest expense using the effective interest method, or straight line-method, if the result is not materially different.

Residential Collateralized Debt Obligations ("Residential CDOs") – We use Residential CDOs to permanently finance our residential mortgage loans held in securitization trusts. For financial reporting purposes, the ARM loans held as collateral are recorded as assets of the Company and the Residential CDOs are recorded as the Company's debt. The Company has completed four securitizations since inception. The first three were accounted for as a permanent financing while the fourth was accounted for as a sale and accordingly, is not included in the Company's accompanying condensed consolidated financial statements.

Multi-Family Collateralized Debt Obligations (“Multi-Family CDOs”) – We consolidated the Consolidated K-Series including their debt, referred to as Multi-Family CDOs, in our financial statements. The Multi-Family CDOs permanently finance the multi-family mortgage loans held in the Consolidated K-Series securitizations. For financial reporting purposes, the loans held as collateral are recorded as assets of the Company and the Multi-Family CDOs are recorded as the Company’s debt. We refer to both the Residential CDOs and Multi-Family CDOs as CDOs in this report.

Securitized Debt – Securitized Debt represents third-party liabilities of Consolidated VIEs and excludes liabilities of the VIEs acquired by the Company that are eliminated on consolidation. The Company has entered into several financing transactions that resulted in the Company consolidating as VIEs the special purpose entities (the “SPEs”) that were created to facilitate the transactions and to which underlying assets in connection with the financing were transferred. The Company engaged in these transactions primarily to obtain permanent or longer term financing on a portion of its multi-family CMBS and acquired distressed residential mortgage loans.

Costs related to issuance of securitized debt which include underwriting, rating agency, legal, accounting and other fees are reflected as deferred charges. Such costs are included on the Company’s accompanying condensed consolidated balance sheets in receivables and other assets in the amount of \$1.9 million and \$2.2 million as of March 31, 2015 and December 31, 2014, respectively. These deferred charges are amortized as an adjustment to interest expense using the effective interest method, or straight line-method, if the result is not materially different.

Derivative Financial Instruments – The Company has developed risk management programs and processes, which include investments in derivative financial instruments designed to manage interest rate and prepayment risk associated with its securities investment activities.

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 and investment banks who meet established credit and capital guidelines.

The Company invests in To-Be-Announced securities (“TBAs”) through its Agency IO portfolio. TBAs are forward-settling purchases and sales of Agency RMBS where the underlying pools of mortgage loans are “To-Be-Announced.” Pursuant to these TBA transactions, we agree to purchase or sell, for future settlement, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered is not identified until shortly before the TBA settlement date. For TBA contracts that we have entered into, we have not asserted that physical settlement is probable, therefore we have not designated these forward commitments as hedging instruments. Realized and unrealized gains and losses associated with these TBAs are recognized through earnings as other income (expense) in the condensed consolidated statements of operations.

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is 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.

For instruments that are not designated or qualify as a cash flow hedge, such as our use of U.S. Treasury securities or financial futures and options on financial futures contracts, any realized and unrealized gains and losses associated with these instruments are recognized through earnings as other income (expense) in the condensed consolidated statements of operations.

Termination of Hedging Relationships – The Company employs 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 un-designate 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.

Revenue Recognition – Interest income on our investment securities and on our mortgage loans is accrued based on the outstanding principal balance and their contractual terms. Premiums and discounts associated with investment securities and mortgage loans at the time of purchase or origination are amortized into interest income over the life of such securities using the effective yield method. Adjustments to amortization are made for actual prepayment activity.

Interest income on our credit sensitive securities, such as our CLOs and certain of our CMBS that were purchased at a discount to par value, is recognized based on the security's effective interest rate. The effective interest rate on these securities is based on management's estimate from each security of the projected cash flows, which are estimated based on the Company's assumptions related to fluctuations in interest rates, prepayment speeds and the timing and amount of credit losses. On at least a quarterly basis, the Company reviews and, if appropriate, makes adjustments to its cash flow projections based on input and analysis received from external sources, internal models, and its judgment about interest rates, prepayment rates, the timing and amount of credit losses, and other factors. Changes in cash flows from those originally projected, or from those estimated at the last evaluation, may result in a prospective change in the yield/interest income recognized on these securities.

Based on the projected cash flows from the Company's first loss tranche PO multi-family CMBS purchased at a discount to par value, a portion of the purchase discount is designated as non-accretable purchase discount or credit reserve, which partially mitigates the Company's risk of loss on the mortgages collateralizing such multi-family CMBS, and is not expected to be accreted into interest income. The amount designated as a credit reserve may be adjusted over time, based on the actual performance of the security, its underlying collateral, actual and projected cash flow from such collateral, economic conditions and other factors. If the performance of a security with a credit reserve is more favorable than forecasted, a portion of the amount designated as credit reserve may be accreted into interest income over time. Conversely, if the performance of a security with a credit reserve is less favorable than forecasted, the amount designated as credit reserve may be increased, or impairment charges and write-downs of such securities to a new cost basis could result.

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

See "*Acquired Distressed Residential Mortgage Loans*" for a description of our revenue recognition policy for acquired distressed residential mortgage loans.

Manager Compensation - We are a party to separate investment management agreements with Headlands Asset Management LLC ("Headlands"), The Midway Group, LP ("Midway") and RiverBanc, LLC ("RiverBanc"), with Headlands providing investment management services with respect to our investments in certain distressed residential mortgage loans, Midway providing investment management services with respect to our investments in Agency IOs, and RiverBanc providing investment management services with respect to our investments in multifamily CMBS and certain commercial real estate -related debt investments. These investment management agreements provide for the payment to our investment managers of a management fee, incentive fee and reimbursement of certain operating expenses, which are accrued and expensed during the period for which they are earned or incurred.

Other Comprehensive Income (Loss) - The Company's comprehensive income/(loss) available to common stockholders includes net income, the change in net unrealized gains/(losses) on its available for sale securities and its derivative hedging instruments, currently comprised of interest rate swaps, (to the extent that such changes are not recorded in earnings), adjusted by realized net gains/(losses) reclassified out of accumulated other comprehensive income/(loss) for available for sale securities and is reduced by dividends declared on the Company's preferred stock.

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 of 1986, as amended (the "Internal Revenue Code"). The Company made no contributions to the Plan for the three months ended March 31, 2015 and 2014 .

Stock Based Compensation - Compensation expense for equity based awards and stock issued for services are recognized over the vesting period of such awards and services based upon the fair value of the stock at the grant date.

Income Taxes - The Company operates in such a manner 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. Distribution of 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.

Certain activities of the Company are conducted through TRSs and therefore are subject to federal and various state and local 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 bases. 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.

ASC 740, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. In situations involving uncertain tax positions related to income tax matters, we do not recognize benefits unless it is more likely than not that they will be sustained. ASC 740 was applied to all open taxable years as of the effective date. Management's determinations regarding ASC 740 may be subject to review and adjustment at a later date based on factors including, but not limited to, an ongoing analysis of tax laws, regulations and interpretations thereof. The Company will recognize interest and penalties, if any, related to uncertain tax positions as income tax expense.

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.

Segment Reporting – ASC 280, Segment Reporting, is the authoritative guidance for the way public entities report information about operating segments in their annual financial statements. We are a REIT focused on the business of acquiring, investing in, financing and managing primarily mortgage-related and financial assets, and currently operate in only one reportable segment.

Summary of Recent Accounting Pronouncements

Receivables (ASC 310)

In April 2014, the FASB issued ASU 2014-04, *Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40)—Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure* ("ASU 2014-04"). The amendments of this ASU are intended to clarify when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan should be derecognized and the real estate recognized. In addition, the amendments clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either: (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure, or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. ASU 2014-04 became effective for the Company beginning January 1, 2015. The adoption of ASU 2014-04 did not have a material effect on our financial condition, results of operations and disclosures.

Transfers and Servicing (ASC 860)

In June 2014, the FASB issued ASU 2014-11, *Transfers and Servicing: Repurchase-to-Maturity Transaction, Repurchase Financings, and Disclosures* ("ASU 2014-09"). This guidance requires repurchase-to-maturity transactions to be accounted for as secured borrowings as if the transferor retains effective control, even though the transferred financial assets are not returned to the transferor at settlement. ASU 2014-09 also eliminates existing guidance for repurchase financings and requires instead that entities consider the initial transfer and the related repurchase agreement separately when applying the derecognition requirements of ASC 860, Transfers and Servicing. New disclosures will be required for (1) certain transactions accounted for as secured borrowings and (2) transfers accounted for as sales when the transferor also retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. ASU 2014-09 became effective for the Company beginning January 1, 2015. The adoption of ASU 2014-11 did not have a significant effect on our financial condition, results of operations and disclosures.

Revenue Recognition (Topic 606)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”). This guidance creates a new, principle-based revenue recognition framework that will affect nearly every revenue-generating entity. ASU 2014-09 also creates a new topic in the Codification, Topic 606 (“ASC 606”). In addition to superseding and replacing nearly all existing U.S. GAAP revenue recognition guidance, including industry-specific guidance, ASC 606 does the following: (1) establishes a new control-based revenue recognition model; (2) changes the basis for deciding when revenue is recognized over time or at a point in time; (3) provides new and more detailed guidance on specific aspects of revenue recognition; and (4) expands and improves disclosures about revenue. ASC 606 is effective for public business entities for annual reporting periods beginning after December 15, 2016, including interim periods therein. Early application is not permitted for public business entities. The Company is currently assessing the impact of this guidance.

Consolidation (Topic 810)

In August 2014, the FASB issued ASU 2014-13, *Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity* (“ASU 2014-13”). For entities that consolidate a collateralized financing entity within the scope of this update, an option to elect to measure the financial assets and the financial liabilities of that collateralized financing entity using either the measurement alternative included in this Update or Topic 820 on fair value measurement is provided. The guidance is effective for fiscal years beginning after December 15, 2015, and the interim periods within those fiscal years. Early adoption is permitted as of the beginning of an annual period. The Company is currently assessing the impact of this guidance.

Consolidation (Topic 810)

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis* (“ASU 2015-02”). The update is intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). The guidance is effective for fiscal years beginning after December 15, 2015, and the interim periods within those fiscal years. Early adoption is permitted as of the beginning of an annual period. We do not expect the adoption of ASU 2014-13 to have a significant effect on our financial condition, results of operations and disclosures. The Company is currently assessing the impact of this guidance.

Interest - Imputation of Interest (Topic 835)

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (“ASU 2015-03”). The amendments in ASU 2015-03 are intended to simplify the presentation of debt issuance costs. These amendments require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company is currently assessing the impact of this guidance.

3. Investment Securities Available For Sale

Investment securities available for sale consist of the following as of March 31, 2015 and December 31, 2014 (dollar amounts in thousands):

	March 31, 2015				December 31, 2014			
	Amortized	Unrealized		Fair V alue	Amortized	Unrealized		Fair Value
	Cost	Gains	Losses		Cost	Gains	Losses	
Agency RMBS:								
Agency ARMs								
Freddie Mac	\$ 56,533	\$ 229	\$ (76)	\$ 56,686	\$ 57,597	\$ 55	\$ (488)	\$ 57,164
Fannie Mae	108,912	264	(348)	108,828	113,192	81	(1,037)	112,236
Ginnie Mae	11,657	—	(125)	11,532	12,552	—	(259)	12,293
Total Agency ARMs	177,102	493	(549)	177,046	183,341	136	(1,784)	181,693
Agency Fixed Rate								
Freddie Mac	36,829	—	(302)	36,527	37,800	—	(629)	37,171
Fannie Mae	436,132	—	(6,520)	429,612	451,694	—	(10,184)	441,510
Total Agency Fixed Rate	472,961	—	(6,822)	466,139	489,494	—	(10,813)	478,681
Agency IOs ⁽¹⁾								
Freddie Mac	36,738	575	(5,861)	31,452	38,844	273	(5,779)	33,338
Fannie Mae	51,028	876	(7,081)	44,823	53,666	741	(6,388)	48,019
Ginnie Mae	41,055	560	(6,514)	35,101	42,991	310	(5,527)	37,774
Total Agency IOs	128,821	2,011	(19,456)	111,376	135,501	1,324	(17,694)	119,131
Total Agency RMBS	778,884	2,504	(26,827)	754,561	808,336	1,460	(30,291)	779,505
Non-Agency RMBS	1,967	81	(201)	1,847	2,061	69	(191)	1,939
U.S. Treasury securities	9,997	—	(4)	9,993	—	—	—	—
CLOs	28,596	6,547	—	35,143	26,140	9,063	—	35,203
Total investment securities available for sale	\$ 819,444	\$ 9,132	\$ (27,032)	\$ 801,544	\$ 836,537	\$ 10,592	\$ (30,482)	\$ 816,647
CMBS	\$ 26,782	\$ 12,469	\$ —	\$ 39,251	\$ 26,193	\$ 12,401	\$ —	\$ 38,594
Total investment securities available for sale held in securitization trusts	\$ 26,782	\$ 12,469	\$ —	\$ 39,251	\$ 26,193	\$ 12,401	\$ —	\$ 38,594

⁽¹⁾ Included in investment securities available for sale as of March 31, 2015 and December 31, 2014 are Agency IOs. Agency IOs are measured at fair value through earnings.

During the three months ended March 31, 2015, the Company had no sales of investment securities available for sale.

Actual maturities of our available for sale securities are generally shorter than stated contractual maturities (which range up to 30 years), as they are affected by the contractual lives of the underlying mortgages, periodic payments and prepayments of principal. As of March 31, 2015 and December 31, 2014, based on management's estimates using three month historical Constant Prepayment Rate ("CPR"), the weighted average life of the Company's available for sale securities portfolio was approximately 5.00 and 4.95 years, respectively.

The following table sets forth the weighted average lives our investment securities available for sale as of March 31, 2015 and December 31, 2014 (dollar amounts in thousands):

	March 31, 2015	December 31, 2014
Weighted Average Life		
0 to 5 years	\$ 398,067	\$ 393,080
Over 5 to 10 years	323,621	365,386
10+ years	79,856	58,181
Total	<u>\$ 801,544</u>	<u>\$ 816,647</u>

The following tables set forth the stated reset periods of our investment securities available for sale and investment securities available for sale held in securitization trusts at March 31, 2015 and December 31, 2014 at carrying value (dollar amounts in thousands):

	March 31, 2015				December 31, 2014			
	Less than 6 months	6 to 24 months	More than 24 months	Total	Less than 6 months	6 to 24 months	More than 24 months	Total
Agency RMBS	\$ 121,420	\$ 19,630	\$ 613,511	\$ 754,561	\$ 89,442	\$ 21,746	\$ 668,317	\$ 779,505
Non-Agency RMBS	1,589	258	—	1,847	1,939	—	—	1,939
U.S. Treasury securities	9,993	—	—	9,993	—	—	—	—
CLOs	35,143	—	—	35,143	35,203	—	—	35,203
Total investment securities available for sale	<u>\$ 168,145</u>	<u>\$ 19,888</u>	<u>\$ 613,511</u>	<u>\$ 801,544</u>	<u>\$ 126,584</u>	<u>\$ 21,746</u>	<u>\$ 668,317</u>	<u>\$ 816,647</u>
CMBS	\$ —	\$ —	\$ 39,251	\$ 39,251	\$ —	\$ —	\$ 38,594	\$ 38,594
Total investment securities available for sale held in securitization trusts	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 39,251</u>	<u>\$ 39,251</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 38,594</u>	<u>\$ 38,594</u>

The following tables present the Company's investment securities available for sale in an unrealized loss position reported through OCI, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2015 and December 31, 2014 (dollar amounts in thousands):

March 31, 2015	Less than 12 Months		Greater than 12 months		Total	
	Carrying Value	Gross Unrealized Losses	Carrying Value	Gross Unrealized Losses	Carrying Value	Gross Unrealized Losses
Agency RMBS	\$ 1,275	\$ (2)	\$ 568,720	\$ (7,317)	\$ 569,995	\$ (7,319)
Non-Agency RMBS	—	—	922	(201)	922	(201)
Total investment securities available for sale	<u>\$ 1,275</u>	<u>\$ (2)</u>	<u>\$ 569,642</u>	<u>\$ (7,518)</u>	<u>\$ 570,917</u>	<u>\$ (7,520)</u>

December 31, 2014	Less than 12 Months		Greater than 12 months		Total	
	Carrying Value	Gross Unrealized Losses	Carrying Value	Gross Unrealized Losses	Carrying Value	Gross Unrealized Losses
Agency RMBS	\$ —	\$ —	\$ 638,936	\$ (12,597)	\$ 638,936	\$ (12,597)
Non-Agency RMBS	—	—	967	(191)	967	(191)
Total investment securities available for sale	\$ —	\$ —	\$ 639,903	\$ (12,788)	\$ 639,903	\$ (12,788)

For the three months ended March 31, 2015 and 2014, the Company recognized no other-than-temporary impairment through earnings.

4. Residential Mortgage Loans Held in Securitization Trusts (Net) and Real Estate Owned

Residential mortgage loans held in securitization trusts (net) consist of the following as of March 31, 2015 and December 31, 2014, respectively (dollar amounts in thousands):

	March 31, 2015	December 31, 2014
Unpaid principal balance	\$ 145,695	\$ 152,277
Deferred origination costs – net	924	968
Reserve for loan losses	(3,942)	(3,631)
Total	<u>\$ 142,677</u>	<u>\$ 149,614</u>

Allowance for Loan Losses - The following table presents the activity in the Company's allowance for loan losses on residential mortgage loans held in securitization trusts for the three months ended March 31, 2015 and 2014, respectively (dollar amounts in thousands):

	Three months Ended March 31,	
	2015	2014
Balance at beginning of period	\$ 3,631	\$ 2,989
Provisions for loan losses	310	16
Transfer to real estate owned	1	(157)
Charge-offs	—	—
Balance at the end of period	<u>\$ 3,942</u>	<u>\$ 2,848</u>

On an ongoing basis, the Company evaluates the adequacy of its allowance for loan losses. The Company's allowance for loan losses as of March 31, 2015 was \$3.9 million, representing 271 basis points of the outstanding principal balance of residential loans held in securitization trusts as of March 31, 2015, as compared to 238 basis points as of December 31, 2014. As part of the Company's allowance for loan loss adequacy analysis, management will assess an overall level of allowances while also assessing credit losses inherent in each non-performing residential mortgage loan held in securitization trusts. These estimates involve the consideration of various credit related factors, including but not limited to, current housing market conditions, current loan to value ratios, delinquency status, the borrower's current economic and credit status and other relevant factors.

Real Estate Owned – The following table presents the activity in the Company's real estate owned held in residential securitization trusts for the three months ended March 31, 2015 and 2014, respectively (dollar amounts in thousands):

	Three months Ended March 31,	
	2015	2014
Balance at beginning of period	\$ 965	\$ 1,108
Write downs	—	(22)
Transfer from/(to) mortgage loans held in securitization trusts	(192)	55
Disposal	(315)	(361)
Balance at the end of period	<u>\$ 458</u>	<u>\$ 780</u>

Real estate owned held in residential securitization trusts are included in receivables and other assets on the accompanying condensed consolidated balance sheets and write downs are included in provision for loan losses in the accompanying condensed consolidated statements of operations for reporting purposes.

All of the Company's mortgage loans and real estate owned held in residential securitization trusts are pledged as collateral for the Residential CDOs issued by the Company. As of March 31, 2015 and December 31, 2014, the Company's net investment in the residential securitization trusts, which is the maximum amount of the Company's investment that is at risk to loss and represents the difference between (i) the carrying amount of the mortgage loans and real estate owned held in residential securitization trusts and (ii) the amount of Residential CDOs outstanding, was \$5.3 million and \$5.6 million, respectively.

Delinquency Status of Our Residential Mortgage Loans Held in Securitization Trusts

As of March 31, 2015, we had 33 delinquent loans with an aggregate principal amount outstanding of approximately \$18.3 million categorized as Residential Mortgage Loans Held in Securitization Trusts (net). Of the \$18.3 million in delinquent loans, \$9.3 million, or 51%, are under some form of temporary modified payment plan. The table below shows delinquencies in our portfolio of residential mortgage loans held in securitization trusts, including real estate owned ("REO") through foreclosure, as of March 31, 2015 (dollar amounts in thousands):

March 31, 2015

Days Late	Number of Delinquent Loans	Total Unpaid Principal	% of Loan Portfolio
30-60	1	\$ 192	0.13%
61-90	—	\$ —	0.00%
90+	32	\$ 18,079	12.28%
Real estate owned through foreclosure	4	\$ 1,452	0.99%

As of December 31, 2014, we had 33 delinquent loans with an aggregate principal amount outstanding of approximately \$18.5 million categorized as Residential Mortgage Loans Held in Securitization Trusts (net). Of the \$18.5 million in delinquent loans, \$9.4 million, or 51%, are under some form of modified payment plan. The table below shows delinquencies in our portfolio of residential mortgage loans held in securitization trusts, including real estate owned through foreclosure (REO), as of December 31, 2014 (dollar amounts in thousands):

December 31, 2014

Days Late	Number of Delinquent Loans	Total Unpaid Principal	% of Loan Portfolio
30-60	4	\$ 1,522	0.99%
61-90	—	\$ —	0.00%
90+	29	\$ 16,997	11.01%
Real estate owned through foreclosure	6	\$ 2,100	1.36%

The geographic concentrations of credit risk exceeding 5% of the total loan balances in our residential mortgage loans held in securitization trusts and real estate owned held in residential securitization trusts as of March 31, 2015 and December 31, 2014 are as follows:

	March 31, 2015	December 31, 2014
New York	35.8%	36.1%
Massachusetts	23.0%	24.0%
New Jersey	11.5%	10.9%
Florida	6.6%	6.2%
Connecticut	6.3%	5.9%

5. Distressed Residential Mortgage Loans

As of March 31, 2015 and December 31, 2014, the carrying value of the Company's distressed residential mortgage loans, including distressed residential mortgage loans held in securitization trusts, amounts to approximately \$569.0 million and \$582.7 million, respectively.

The Company considers its purchase price for the distressed residential mortgage loans, including distressed residential mortgage loans held in securitization trusts, to be at fair value at the date of acquisition. The Company only establishes an allowance for loan losses subsequent to acquisition.

There were no acquisitions of distressed residential mortgage loans during the three months ended March 31, 2015.

The following table presents information regarding the estimates of the contractually required payments, the cash flows expected to be collected, and the estimated fair value of the distressed residential mortgage loans acquired during the three months ended March 31, 2014 (dollar amounts in thousands):

	March 31, 2014
Contractually required principal and interest	\$ 11,501
Non-accretable yield	(2,954)
Expected cash flows to be collected	8,547
Accretable yield	(3,768)
Fair value at the date of acquisition	<u>\$ 4,779</u>

The following table details activity in accretable yield for the distressed residential mortgage loans, including distressed residential mortgage loans held in securitization trusts, for the three months ended March 31, 2015 and 2014, respectively (dollar amounts in thousands):

	March 31, 2015	March 31, 2014
Balance at beginning of period	\$ 640,416	\$ 171,112
Additions	1,317	35,851
Disposals	(12,658)	(44,567)
Accretion	(10,218)	(4,343)
Balance at end of period ⁽¹⁾	<u>\$ 618,857</u>	<u>\$ 158,053</u>

⁽¹⁾ Accretable yield is the excess of the distressed residential mortgage loans' cash flows expected to be collected over the purchase price. The cash flows expected to be collected represents the Company's estimate of the amount and timing of undiscounted principal and interest cash flows. Additions include accretable yield estimates for purchases made during the period and reclassification to accretable yield from nonaccretable yield. Deletions include distressed residential mortgage loan dispositions, which include refinancing, sale and foreclosure of the underlying collateral and resulting removal of the distressed residential mortgage loans from the accretable yield, and reclassifications from accretable to nonaccretable yield. The reclassifications between accretable and nonaccretable yield and the accretion of interest income is based on various estimates regarding loan performance and the value of the underlying real estate securing the loans. As the Company continues to update its estimates regarding the loans and the underlying collateral, the accretable yield may change. Therefore, the amount of accretable income recorded in the three-month period ended March 31, 2015 is not necessarily indicative of future results.

The geographic concentrations of credit risk exceeding 5% of the unpaid principal balance of our distressed residential mortgage loans, including distressed residential mortgage loans held in securitization trusts, as of March 31, 2015 and December 31, 2014, respectively, are as follows:

	March 31, 2015	December 31, 2014
Florida	12.5%	12.4%
California	8.6%	8.9%
North Carolina	8.4%	8.2%
Georgia	7.0%	6.9%
New York	5.2%	5.1%

The Company's distressed residential mortgage loans held in securitization trusts with a carrying value of approximately \$213.3 million and \$221.6 million at March 31, 2015 and December 31, 2014, respectively, are pledged as collateral for certain of the Securitized Debt issued by the Company (see Note 7). In addition, distressed residential mortgage loans with a carrying value of approximately \$324.0 million and \$327.4 million at March 31, 2015 and December 31, 2014, respectively, are pledged as collateral for a Master Repurchase Agreement, with Deutsche Bank AG, Cayman Islands Branch (see Note 10).

6. Consolidated K-Series

The Company has elected the fair value option on the assets and liabilities held within the Consolidated K-Series, which requires that changes in valuations in the assets and liabilities of the Consolidated K-Series be reflected in the Company's statements of operations. Our investment in the Consolidated K-Series is limited to the multi-family CMBS comprised of first loss tranche PO securities and/or certain IOs issued by certain K-Series securitizations with an aggregate net carrying value of \$293.2 million and \$317.5 million at March 31, 2015 and December 31, 2014, respectively (see Note 7).

The condensed consolidated balance sheets of the Consolidated K-Series at March 31, 2015 and December 31, 2014, respectively, are as follows (dollar amounts in thousands):

	March 31, 2015	December 31, 2014
Balance Sheets		
Assets		
Multi-family loans held in securitization trusts	\$ 7,399,851	\$ 8,365,514
Receivables	24,876	29,809
Total Assets	<u>\$ 7,424,727</u>	<u>\$ 8,395,323</u>
Liabilities and Equity		
Multi-family CDOs	\$ 7,106,681	\$ 8,048,053
Accrued expenses	24,425	29,354
Total Liabilities	7,131,106	8,077,407
Equity	293,621	317,916
Total Liabilities and Equity	<u>\$ 7,424,727</u>	<u>\$ 8,395,323</u>

The multi-family loans held in securitization trusts had an unpaid principal balance of approximately \$6.9 billion and \$7.9 billion at March 31, 2015 and December 31, 2014, respectively. The multi-family CDOs had an unpaid principal balance of approximately \$6.9 billion and \$7.9 billion at March 31, 2015 and December 31, 2014, respectively. As of March 31, 2015 and December 31, 2014, the current weighted average interest rate on these multi-family CDOs was 3.98% and 4.15%, respectively.

In February 2015, the Company sold a first loss PO security in one of the Company's Consolidated K-Series obtaining total proceeds of approximately \$44.3 million and realizing a gain of approximately \$1.5 million. The sale resulted in a de-consolidation of \$1.1 billion in Multi-Family loans held in a securitization trust and \$1.0 billion in Multi-Family CDOs.

The Company does not have any claims to the assets or obligations for the liabilities of the Consolidated K-Series (other than the security represented by our first loss piece). We have elected the fair value option for the Consolidated K-Series. The net fair value of our investment in the Consolidated K-Series, which represents the difference between the carrying values of multi-family loans held in securitization trusts less the carrying value of multi-family CDOs, approximates the fair value of our underlying securities. The fair value of our underlying securities is determined using the same valuation methodology as our CMBS investments available for sale (see Note 14) .

The condensed consolidated statements of operations of the Consolidated K-Series for the three months ended March 31, 2015 and 2014, respectively, are as follows (dollar amounts in thousands):

Statements of Operations	Three Months Ended March 31,	
	2015	2014
Interest income	\$ 66,300	\$ 74,944
Interest expense	60,095	68,747
Net interest income	6,205	6,197
Unrealized gain on multi-family loans and debt held in securitization trusts, net	13,628	4,926
Net Income	<u>\$ 19,833</u>	<u>\$ 11,123</u>

The geographic concentrations of credit risk exceeding 5% of the total loan balances related to our CMBS investments included in investment securities available for sale and multi-family loans held in securitization trusts as of March 31, 2015 and December 31, 2014, respectively, are as follows:

	March 31, 2015	December 31, 2014
California	13.7%	13.5%
Texas	12.6%	12.5%
New York	8.0%	7.7%
Maryland	5.2%	5.2%

7. Use of Special Purpose Entities and Variable Interest Entities

A Special Purpose Entity (“SPE”) is an entity designed to fulfill a specific limited need of the company that organized it. SPEs are often used to facilitate transactions that involve securitizing financial assets or re-securitizing previously securitized financial assets. The objective of such transactions may include obtaining non-recourse financing, obtaining liquidity or refinancing the underlying securitized financial assets on improved terms. Securitization involves transferring assets to an SPE to convert all or a portion of those assets into cash before they would have been realized in the normal course of business through the SPE’s issuance of debt or equity instruments. Investors in an SPE usually have recourse only to the assets in the SPE and depending on the overall structure of the transaction, may benefit from various forms of credit enhancement, such as over-collateralization in the form of excess assets in the SPE, priority with respect to receipt of cash flows relative to holders of other debt or equity instruments issued by the SPE, or a line of credit or other form of liquidity agreement that is designed with the objective of ensuring that investors receive principal and/or interest cash flow on the investment in accordance with the terms of their investment agreement.

The Company has evaluated its CMBS investments in Freddie Mac-sponsored K-Series securitizations to determine whether they are VIEs. In addition, the Company also evaluated its financings transactions, such as its Residential CDOs completed in 2005, its multi-family CMBS re-securitization transaction completed in May 2012, its collateralized recourse financing transactions completed in November 2013 and its distressed residential mortgage loan securitization transactions completed in December 2012, July 2013 and September 2013 (each a “Financing VIE” and collectively, the “Financing VIEs”) and concluded that the entities created to facilitate each of the transactions are VIEs.

The Company then completed an analysis of whether the VIEs should be consolidated by the Company, based on consideration of its involvement in each of the VIEs, including the design and purpose of the SPE, and whether its involvement reflected a controlling financial interest that resulted in the Company being deemed the primary beneficiary of the VIEs. In determining whether the Company would be considered the primary beneficiary, the following factors were assessed:

- whether the Company has both the power to direct the activities that most significantly impact the economic performance of the VIE; and
- whether the Company has a right to receive benefits or absorb losses of the entity that could be potentially significant to the VIE.

The Company has determined that it has a variable interest in the Consolidated K-Series for which it is the primary beneficiary and has a controlling financial interest and, accordingly, has consolidated their assets, liabilities, income and expenses in the accompanying consolidated financial statements (*see Notes 2 and 6*).

Also, based on its evaluation of the factors discussed above, including its involvement in the purpose and design of the entity, the Company determined that the Financing VIEs met the criteria for consolidation and, accordingly, consolidated the Financing VIEs created to facilitate these transactions as of March 31, 2015 .

In September 2014, the Company, through a wholly-owned subsidiary, repurchased \$52 million of outstanding notes issued in connection with the Company's November 2012 collateralized recourse financing transaction. The repurchase of the notes resulted in the simultaneous (i) termination of the CMBS master repurchase agreement entered into by affiliates of the Company in connection with the November 2012 collateralized recourse financing transaction (and the related repayment of outstanding borrowings thereunder) and (ii) transfer back to the Company of the multi-family CMBS serving as collateral for the \$52 million of borrowings. The master repurchase agreement entered into in November 2012 was scheduled to mature in November 2015. In connection with the early termination of the master repurchase agreement, the Company recognized a loss on extinguishment of debt of \$3.4 million, which included unamortized debt issue costs of \$0.4 million from the transaction. The repayment of the notes and the termination of the master repurchase agreement deconsolidated the Financing VIE that facilitated the transaction as of December 31, 2014 .

The following table presents a summary of the assets and liabilities of these consolidated VIEs. Intercompany balances have been eliminated for purposes of this presentation.

Assets and Liabilities of consolidated VIEs as of March 31, 2015 (dollar amounts in thousands):

	Financing VIEs				Non-financed VIEs	
	Multi-family CMBS re-securitization (1)	Collateralized Recourse Financing (2)	Distressed Residential Mortgage Loan Securitization	Residential Mortgage Loan Securitization	Multi-family CMBS (3)	Total
Investment securities available for sale, at fair value held in securitization trusts	\$ 39,251	\$ —	\$ —	\$ —	\$ —	\$ 39,251
Residential mortgage loans held in securitization trusts (net)	—	—	—	142,677	—	142,677
Distressed residential mortgage loans held in securitization trust, (net)	—	—	213,296	—	—	213,296
Multi-family loans held in securitization trusts, at fair value	1,286,006	4,810,851	—	—	1,302,994	7,399,851
Receivables and other assets	5,058	15,546	15,532	1,007	5,523	42,666
Total assets	\$ 1,330,315	\$ 4,826,397	\$ 228,828	\$ 143,684	\$ 1,308,517	\$ 7,837,741
Residential collateralized debt obligations	\$ —	\$ —	\$ —	\$ 138,367	\$ —	\$ 138,367
Multi-family collateralized debt obligations, at fair value	1,232,716	4,634,312	—	—	1,239,653	7,106,681
Securitized debt	27,777	55,853	116,682	—	—	200,312
Accrued expenses and other liabilities	4,563	14,635	416	15	5,422	25,051
Total liabilities	\$ 1,265,056	\$ 4,704,800	\$ 117,098	\$ 138,382	\$ 1,245,075	\$ 7,470,411

- (1) The Company classified the multi-family CMBS issued by two K-Series securitizations and held by this Financing VIE as available for sale securities as the purpose is not to trade these securities. The Financing VIE consolidated one K-Series securitization that issued certain of the multi-family CMBS owned by the Company, including its assets, liabilities, income and expenses, in its financial statements, as based on a number of factors, the Company determined that it was the primary beneficiary and has a controlling financial interest in this particular K-Series securitization (*see Note 6*).
- (2) The multi-family CMBS serving as collateral under the November 2013 collateralized recourse financing are comprised of securities issued from three separate Freddie Mac-sponsored multi-family K-Series securitizations. The Financing VIE consolidated these K-Series securitizations, including their assets, liabilities, income and expenses, in its financial statements as based on a number of factors, the Company determined that it was the primary beneficiary and has a controlling financial interest in such K-Series securitizations (*see Note 6*).
- (3) One of the Company's Freddie Mac-sponsored multi-family K-Series securitizations included in the Consolidated K-Series is not subject to any financing as of March 31, 2015. In February 2015, the Company sold a first loss PO security in one of the Company's Consolidated K-Series obtaining total proceeds of approximately \$44.3 million and realizing a gain of approximately \$1.5 million. The sale resulted in a de-consolidation of \$1.1 billion in Multi-Family loans held in a securitization trust and \$1.0 billion in Multi-Family CDOs.

Assets and Liabilities of consolidated Financing VIEs as of December 31, 2014 (dollar amounts in thousands):

	Financing VIEs				Non-financed VIEs	
	Multi-family CMBS re-securitization (1)	Collateralized Recourse Financing (2)	Distressed Residential Mortgage Loan Securitization	Residential Mortgage Loan Securitization	Multi-family CMBS (3)	Total
Investment securities available for sale, at fair value held in securitization trusts	\$ 38,594	\$ —	\$ —	\$ —	\$ —	\$ 38,594
Residential mortgage loans held in securitization trusts (net)	—	—	—	149,614	—	149,614
Distressed residential mortgage loans held in securitization trust (net)	—	—	221,591	—	—	221,591
Multi-family loans held in securitization trusts, at fair value	1,273,633	4,720,908	—	—	2,370,973	8,365,514
Receivables and other assets	5,097	15,631	39,084	1,545	10,408	71,765
Total assets	<u>\$ 1,317,324</u>	<u>\$ 4,736,539</u>	<u>\$ 260,675</u>	<u>\$ 151,159</u>	<u>\$ 2,381,381</u>	<u>\$ 8,847,078</u>
Residential collateralized debt obligations	\$ —	\$ —	\$ —	\$ 145,542	\$ -	\$ 145,542
Multi-family collateralized debt obligations, at fair value	1,221,555	4,558,065	—	—	2,268,433	8,048,053
Securitized debt	27,660	55,853	149,364	—	—	232,877
Accrued expenses and other liabilities	4,581	14,639	1,024	14	10,304	30,562
Total liabilities	<u>\$ 1,253,796</u>	<u>\$ 4,628,557</u>	<u>\$ 150,388</u>	<u>\$ 145,556</u>	<u>\$ 2,278,737</u>	<u>\$ 8,457,034</u>

(1) The Company classified the multi-family CMBS issued by two K-Series securitizations and held by this Financing VIE as available for sale securities as the purpose is not to trade these securities. The Financing VIE consolidated one K-Series securitization that issued certain of the multi-family CMBS owned by the Company, including its assets, liabilities, income and expenses, in its financial statements, as based on a number of factors, the Company determined that it was the primary beneficiary and has a controlling financial interest in this particular K-Series securitization (*see Note 6*).

(2) The multi-family CMBS serving as collateral under the November 2013 collateralized recourse financing are comprised of securities issued from three separate Freddie Mac-sponsored multi-family K-Series securitizations. The Financing VIE consolidated these K-Series securitizations, including their assets, liabilities, income and expenses, in its financial statements as based on a number of factors, the Company determined that it was the primary beneficiary and has a controlling financial interest in such K-Series securitizations (*see Note 6*). In September 2014, the Company repaid the Company's outstanding notes from its collateralized recourse financing transaction completed in November 2012 with a principal amount of \$52.0 million. With the repayment of the notes, the Company terminated and deconsolidated the Financing VIE that facilitated the financing transaction and the multi-family CMBS serving as collateral on the notes were transferred back to the Company.

(3) Two of the Company's Freddie Mac-sponsored multi-family K-Series securitizations included in the Consolidated K-Series are not subject to any Financing VIE as of December 31, 2014.

The following table summarizes the Company's securitized debt collateralized by multi-family CMBS and distressed residential mortgage loans (dollar amounts in thousands):

	Multi-family CMBS Re-securitization (1)	Collateralized Re c our s e Financing (2)	Distressed Residential Mortgage Loan Securitization s (3)
Original Face amount of Notes issued by the VIE and purchased by 3rd party investors	\$ 35,000	\$ 55,853	\$ 176,970
Principal Amount at March 31, 2015	\$ 34,136	\$ 55,853	\$ 116,682
Principal Amount at December 31, 2014	\$ 34,208	\$ 55,853	\$ 149,364
Carrying Value at March 31, 2015 (4)	\$ 27,777	\$ 55,853	\$ 116,682
Carrying Value at December 31, 2014 (4)	\$ 27,660	\$ 55,853	\$ 149,364
	One-month LIBOR		
Pass-through rate of Notes issued	5.35%	plus 5.25%	4.25% - 4.85%

- (1) The Company engaged in the re-securitization transaction primarily for the purpose of obtaining non-recourse financing on a portion of its multi-family CMBS portfolio. As a result of engaging in this transaction, the Company remains economically exposed to the first loss position on the underlying multi-family CMBS transferred to the Consolidated VIE. The holders of the Note have no recourse to the general credit of the Company, but the Company does have the obligation, under certain circumstances, to repurchase assets upon the breach of certain representations and warranties. The Company will receive all remaining cash flow, if any, through its retained ownership.
- (2) The Company entered into a CMBS Master Repurchase Agreement with a three-year term for the purpose of financing a portion of its multi-family CMBS portfolio. In connection with the transaction, the Company agreed to guarantee the due and punctual payment of its wholly-owned subsidiary's obligations under the CMBS Master Repurchase Agreement.
- (3) The Company engaged in these transactions for the purpose of financing distressed residential mortgage loans acquired by the Company. The distressed residential mortgage loans serving as collateral for the financings are comprised of performing, re-performing and to a lesser extent non-performing, fixed and adjustable-rate, fully-amortizing, interest only and balloon, seasoned mortgage loans secured by first liens on one to four family properties. Two of the four securitization transactions provide for a revolving period of one to two years from the date of the respective financing ("Revolving Period") where no principal payments will be made on the note. All cash proceeds generated by the distressed residential mortgage loans and received by the respective securitization trust during the Revolving Period, after payment of interest on the note, reserve amounts and certain other transaction expenses, will be available for the purchase by the trust of additional mortgage loans that satisfy certain eligibility criteria.
- (4) Classified as securitized debt in the liability section of the Company's accompanying condensed consolidated balance sheets .

The following table presents contractual maturity information about the Financing VIEs' securitized debt as of March 31, 2015 and December 31, 2014, respectively:

	March 31, 2015	December 31, 2014
Scheduled Maturity (principal amount)		
<i>(Dollar amount in thousands)</i>		
Within 24 months	\$ 172,535	\$ 205,217
Over 24 months to 36 months	—	—
Over 36 months	34,136	34,208
Total	206,671	239,425
Discount	(6,359)	(6,548)
Carrying value	<u>\$ 200,312</u>	<u>\$ 232,877</u>

There is no guarantee that the Company will receive any cash flows from these securitization trusts.

Residential Mortgage Loan Securitization Transaction

The Company has completed four residential mortgage loan securitizations (other than the distressed residential mortgage loan securitizations discussed above) since inception, the first three were accounted for as permanent financings and have been included in the Company's accompanying condensed consolidated financial statements.

Unconsolidated VIEs

The Company has evaluated its multi-family CMBS investments in two Freddie Mac-sponsored K-Series securitizations as of March 31, 2015 and December 31, 2014, respectively, and its mezzanine loan, preferred equity and other equity investments to determine whether they are VIEs and should be consolidated by the Company. Based on a number of factors, the Company determined that it does not have a controlling financial interest and is not the primary beneficiary of these VIEs. The following table presents the classification and carrying value of unconsolidated VIEs as of March 31, 2015 and December 31, 2014 (dollar amounts in thousands):

	March 31, 2015			December 31, 2014		
	Investment securities available for sale, at fair value	Receivables and other Assets	Total	Investment securities available for sale, at fair value, held in securitization trusts	Receivables and other Assets	Total
Multi-Family CMBS	\$ 39,251	\$ 79	\$ 39,330	\$ 38,594	\$ 80	\$ 38,674
Mezzanine loan and equity investments ⁽¹⁾	—	86,083	86,083	—	72,799	72,799
Total assets	<u>\$ 39,251</u>	<u>\$ 86,162</u>	<u>\$ 125,413</u>	<u>\$ 38,594</u>	<u>\$ 72,879</u>	<u>\$ 111,473</u>

⁽¹⁾ Includes our investment in RB Multifamily Investors LLC ("RMI"), an entity managed by RiverBanc, in which we own, as of March 31, 2015 and December 31, 2014, approximately 67% of the outstanding common equity interests and certain preferred equity interests. Our total investment in RMI amounts to approximately \$47.5 million and \$36.6 million as of March 31, 2015 and December 31, 2014, respectively.

Our maximum loss exposure on the multi-family CMBS investments, mezzanine loan and equity investments is approximately \$125.4 million and \$111.5 million at March 31, 2015 and December 31, 2014, respectively. The Company's maximum exposure does not exceed the carrying value of its investments.

8. Derivative Instruments and Hedging Activities

The Company enters into derivative instruments to manage its interest rate risk exposure. These derivative instruments include interest rate swaps, swaptions and futures. The Company may also purchase or short TBAs and U.S. Treasury securities, purchase put or call options on U.S. Treasury futures or invest in other types of mortgage derivative securities.

The following table presents the fair value of derivative instruments that were not designated as hedging instruments and their location in our accompanying condensed consolidated balance sheets at March 31, 2015 and December 31, 2014, respectively (dollar amounts in thousands):

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	March 31 , 201 5	December 31, 201 4
TBA securities ⁽¹⁾	Derivative assets	\$ 333,004	\$ 284,971
U.S. Treasury futures	Derivative assets	403	379
Swaptions	Derivative assets	1,551	2,273
Options on U.S. Treasury futures	Derivative assets	154	92
Eurodollar futures	Derivative liabilities	2,473	900
Interest rate swaps ⁽²⁾	Derivative liabilities	351	232
Interest rate swap futures	Derivative liabilities	3,423	331
Swaptions	Derivative liabilities	73	—

(1) Open TBA purchases and sales involving the same counterparty, same underlying deliverable and the same settlement date are reflected in our accompanying condensed consolidated financial statements on a net basis.

(2) Includes interest rate swaps in our Agency IO portfolio.

The tables below summarize the activity of derivative instruments not designated as hedges for the three months ended March 31, 2015 and 2014, respectively (dollar amounts in thousands):

Derivatives Not Designated as Hedging Instruments	Notional Amount For the Three Months Ended March 31, 2015			
	December 31, 2014	Additions	Settlement, Expiration or Exercise	March 31, 2015
TBA securities	\$ 273,000	\$ 1,171,000	\$ (1,123,000)	\$ 321,000
U.S. Treasury futures	2,300	91,500	(64,200)	29,600
Interest rate swap futures	(190,100)	318,500	(336,400)	(208,000)
Eurodollar futures	(2,961,000)	471,000	(388,000)	(2,878,000)
Options on U.S. Treasury futures	21,000	152,000	(122,000)	51,000
Swaptions	180,000	5,000	—	185,000
Interest rate swaps	10,000	—	—	10,000

Derivatives Not Designated as Hedging Instruments	Notional Amount For the Three Months Ended March 31, 2014			
	December 31, 2013	Additions	Settlement, Expiration or Exercise	March 31, 2014
TBA securities	\$ 188,000	\$ 590,000	\$ (584,000)	\$ 194,000
U.S. Treasury futures	(11,900)	36,600	(32,300)	(7,600)
Interest rate swap futures	(242,700)	242,700	(237,200)	(237,200)
Eurodollar futures	(3,360,000)	1,074,000	(984,000)	(3,270,000)
Options on U.S. Treasury futures	40,000	—	(40,000)	—
Swaptions	100,000	—	—	100,000

The following table presents the components of realized and unrealized gains and losses related to our derivative instruments that were not designated as hedging instruments included in other income (expense) in our condensed consolidated statements of operations for the three months ended March 31, 2015 and 2014 (dollar amounts in thousands) :

	Three Months Ended March 31 ,			
	201 5		201 4	
	Realized Gains (Losses)	Unrealized Gains (Losses)	Realized Gains (Losses)	Unrealized Gains (Losses)
TBA Securities	\$ 2,829	\$ 655	\$ 3,314	\$ 265
Eurodollar futures ⁽¹⁾	(247)	(1,573)	(1,212)	726
Interest rate swaps	—	(184)	—	—
Swaptions	—	(556)	—	(518)
U.S. Treasury and Interest rate swap futures and options	(1,445)	(3,056)	(44)	(3,133)
Total	<u>\$ 1,137</u>	<u>\$ (4,714)</u>	<u>\$ 2,058</u>	<u>\$ (2,660)</u>

⁽¹⁾ At March 31, 2015, the Eurodollar futures consist of 2 ,878 contracts with expiration dates ranging between June 2015 and September 2017.

The use of TBAs exposes the Company to market value risk, as the market value of the securities that the Company is required to purchase pursuant to a TBA transaction may decline below the agreed-upon purchase price. Conversely, the market value of the securities that the Company is required to sell pursuant to a TBA transaction may increase above the agreed upon sale price. At March 31, 2015 and December 31, 2014, our condensed consolidated balance sheets include TBA-related liabilities of \$330.8 million and \$283.5 million included in payable for securities purchased, respectively. Open TBA purchases and sales involving the same counterparty, same underlying deliverable and the same settlement date are reflected in our condensed consolidated financial statements on a net basis. TBA sales amounting to approximately \$19.4 million were netted against TBA purchases amounting to approximately \$350.1 million at March 31, 2015. There was no netting of TBA sales against TBA purchases at December 31, 2014.

The following table presents the fair value of derivative instruments designated as hedging instruments and their location in the Company's accompanying condensed consolidated balance sheets at March 31, 2015 and December 31, 2014, respectively (dollar amounts in thousands):

Derivatives Designated as Hedging Instruments	Balance Sheet Location	Total Notional Amount	March 31, 2015	December 31, 2014
Interest Rate Swaps	Derivative liability	\$ 245,000	\$ 355	\$ —
Interest Rate Swaps	Derivative asset	105,000	229	—
Interest Rate Swaps	Derivative asset	350,000	—	1,135

The following table presents the impact of the Company's derivative instruments on the Company's accumulated other comprehensive income for the three months ended March 31, 2015 and 2014, respectively (dollar amounts in thousands):

Derivatives Designated as Hedging Instruments	Three Months Ended March 31,	
	2015	2014
Accumulated other comprehensive income for derivative instruments:		
Balance at beginning of the period	\$ 1,135	\$ 2,041
Unrealized loss on interest rate swaps	(1,261)	(129)
Balance at end of the period	<u>\$ (126)</u>	<u>\$ 1,912</u>

The Company estimates that over the next 12 months, approximately \$1.2 million of the net unrealized gains on the interest rate swaps will be reclassified from accumulated other comprehensive income (loss) into earnings.

The following table details the impact of the Company's interest rate swaps, except interest swaps included in our Agency IO portfolio, designated as hedging instruments included in interest expense for the three months ended March 31, 2015 and 2014, respectively (dollar amounts in thousands):

	Three Months Ended March 31,	
	2015	2014
Interest income		
Interest expense-investment securities	\$ 451	\$ 457

The Company's interest rate swaps are designated as cash flow hedges against the benchmark interest rate risk associated with its short term repurchase agreements. There were no costs incurred at the inception of our interest rate swaps, under which the Company agrees to pay a fixed rate of interest and receive a variable interest rate based on one month LIBOR, on the notional amount of the interest rate swaps.

The Company documents its risk-management policies, including objectives and strategies, as they relate to its hedging activities, and upon entering into hedging transactions, documents the relationship between the hedging instrument and the hedged liability contemporaneously. The Company assesses, both at inception of a hedge and on an on-going basis, whether or not the hedge is "highly effective" when using the matched term basis.

The Company discontinues hedge accounting on a prospective basis and recognizes changes in the fair value through earnings when: (i) it is determined that the derivative is no longer effective in offsetting cash flows of a hedged item (including forecasted transactions); (ii) it is no longer probable that the forecasted transaction will occur; or (iii) it is determined that designating the derivative as a hedge is no longer appropriate. The Company's derivative instruments are carried on the Company's balance sheets at fair value, as assets, if their fair value is positive, or as liabilities, if their fair value is negative. For the Company's derivative instruments that are designated as "cash flow hedges," changes in their fair value are recorded in accumulated other comprehensive income (loss), provided that the hedges are effective. A change in fair value for any ineffective amount of the Company's derivative instruments would be recognized in earnings. The Company has not recognized any change in the value of its existing derivative instruments designated as cash flow hedges through earnings as a result of ineffectiveness of any of its hedges.

The following table presents information about the Company's interest rate swaps as of March 31, 2015 and December 31, 2014, respectively (dollar amounts in thousands):

Maturity ⁽¹⁾	March 31, 2015		December 31, 2014	
	Notional Amount	Weighted Average Fixed Pay Interest Rate	Notional Amount	Weighted Average Fixed Pay Interest Rate
Within 30 Days	\$ —	—%	\$ —	—%
Over 30 days to 3 months	—	—	—	—
Over 3 months to 6 months	95,000	0.48	—	—
Over 6 months to 12 months	40,000	0.39	135,000	0.45
Over 12 months to 24 months	—	—	—	—
Over 24 months to 36 months	215,000	0.83	215,000	0.83
Over 36 months to 48 months	—	—	—	—
Over 48 months to 60 months	10,000	2.25	10,000	2.25
Total	\$ 360,000	0.73%	\$ 360,000	0.73%

⁽¹⁾ The Company enters into interest rate swap transactions whereby the Company pays a fixed rate of interest and receives one month LIBOR.

The use of derivatives exposes the Company to counterparty credit risks in the event of a default by a counterparty. If a counterparty defaults under the applicable derivative agreement, the Company may be unable to collect payments to which it is entitled under its derivative agreements, and may have difficulty collecting the assets it pledged as collateral against such derivatives. The Company currently has in place with all counterparties bi-lateral margin agreements requiring a party to post collateral to the Company for any valuation deficit. This arrangement is intended to limit the Company's exposure to losses in the event of a counterparty default.

The Company is required to pledge assets under a bi-lateral margin arrangement, including either cash or Agency RMBS, as collateral for its interest rate swaps, futures contracts and TBAs, whose collateral requirements vary by counterparty and change over time based on the market value, notional amount, and remaining term of the agreement. In the event the Company is unable to meet a margin call under one of its agreements, thereby causing an event of default or triggering an early termination event under one of its agreements, the counterparty to such agreement may have the option to terminate all of such counterparty's outstanding transactions with the Company. In addition, under this scenario, any close-out amount due to the counterparty upon termination of the counterparty's transactions would be immediately payable by the Company pursuant to the applicable agreement. The Company believes it was in compliance with all margin requirements under its agreements as of March 31, 2015 and December 31, 2014. The Company had \$11.1 million and \$11.4 million of restricted cash related to margin posted for its agreements as of March 31, 2015 and December 31, 2014, respectively. The restricted cash held by third parties is included in receivables and other assets in the accompanying condensed consolidated balance sheets.

9. Financing Arrangements, Portfolio Investments

The Company has entered into repurchase agreements with third party financial institutions to finance its investment portfolio. The repurchase agreements are short-term borrowings that bear interest rates typically based on a spread to LIBOR, and are secured by the securities which they finance. At March 31, 2015, the Company had repurchase agreements with an outstanding balance of \$619.7 million and a weighted average interest rate of 0.44%. At December 31, 2014, the Company had repurchase agreements with an outstanding balance of \$652.0 million and a weighted average interest rate of 0.43%. As of March 31, 2015 and December 31, 2014, the average days to maturity for all repurchase agreements were 40 days and 26 days, respectively. The Company's accrued interest payable on outstanding repurchase agreements at March 31, 2015 and December 31, 2014 amounts to \$0.2 million and \$0.3 million, respectively, and is included in accrued expenses and other liabilities on the Company's condensed consolidated balance sheets.

The following table presents detailed information about the Company's borrowings under repurchase agreements and associated assets pledged as collateral at March 31, 2015 and December 31, 2014 (dollar amounts in thousands):

	March 31, 2015			December 31, 2014		
	Outstanding Repurchase Agreements	Fair Value of Collateral Pledged	Amortized Cost Of Collateral Pledged	Outstanding Repurchase Agreements	Fair Value of Collateral Pledged	Amortized Cost Of Collateral Pledged
Agency ARMs	\$ 160,262	\$ 170,637	\$ 170,686	\$ 171,852	\$ 181,694	\$ 183,342
Agency Fixed Rate	396,294	423,576	429,840	413,199	437,002	446,851
Agency IOs/U.S. Treasury Securities	63,185	92,104	103,875	66,914	83,988	95,129
Balance at end of the period	<u>\$ 619,741</u>	<u>\$ 686,317</u>	<u>\$ 704,401</u>	<u>\$ 651,965</u>	<u>\$ 702,684</u>	<u>\$ 725,322</u>

The following table presents contractual maturity information about the Company's outstanding repurchase agreements at March 31, 2015 and December 31, 2014 (dollar amounts in thousands):

Contractual Maturity	March 31, 2015	December 31, 2014
Within 30 days	\$ 378,761	\$ 157,008
Over 30 days to 90 days	178,546	494,957
Over 90 days	62,434	—
Total	<u>\$ 619,741</u>	<u>\$ 651,965</u>

As of March 31, 2015 the outstanding balance under our repurchase agreements was funded at an advance rate of 93.0% that implies an average haircut of 7.0%. The weighted average "haircut" related to our repurchase agreement financing for our Agency RMBS (excluding Agency IOs) and Agency IOs and CLOs was approximately 5% and 25%.

In the event we are unable to obtain sufficient short-term financing through repurchase agreements or otherwise, or our lenders start to require additional collateral, we may have to liquidate our investment securities at a disadvantageous time, which could result in losses. Any losses resulting from the disposition of our investment securities in this manner could have a material adverse effect on our operating results and net profitability. At March 31, 2015 and December 31, 2014, the Company had repurchase agreements with 9 and 10 counterparties, respectively. As of March 31, 2015 and December 31, 2014, we had no counterparties where the amount at risk was in excess of 5% of Stockholders' Equity. The amount at risk is defined as the fair value of securities pledged as collateral to the repurchase agreement in excess of the repurchase agreement liability.

As of March 31, 2015, the Company had \$89.0 million in cash and \$196.2 million in unencumbered investment securities to meet additional haircut or market valuation requirements, including \$78.1 million of RMBS, of which \$76.2 million are Agency RMBS, and \$81.0 million of multi-family CMBS (which represents the net fair value of certain first loss tranche PO securities and/or certain IOs issued by certain K-Series securitizations included in the Consolidated K-Series), \$35.1 million of CLOs and \$2.0 million of U.S. Treasury securities. The \$89.0 million of cash, the \$78.1 million in RMBS, \$81.0 million of CMBS, \$35.1 million of CLOs, \$2.0 million of U.S. Treasury securities and \$39.6 million held in overnight deposits in our Agency IO portfolio included in restricted cash (that is available to meet margin calls as it relates to our Agency IO portfolio repurchase agreements), which collectively represent 52.4% of our financing arrangements, are liquid and could be monetized to pay down or collateralize the liability immediately.

10. Financing Arrangements, Distressed Residential Mortgage Loans

On December 16, 2014, the Company entered into a master repurchase agreement, with Deutsche Bank AG, Cayman Islands Branch in an aggregate principal amount of up to \$260.0 million, to fund a portion of the purchase price of a pool of distressed residential mortgage loans. The outstanding balance on this master repurchase agreement as of March 31, 2015 and December 31, 2014 amounts to approximately \$238.2 million and \$238.9 million, respectively, bearing interest at one month LIBOR plus 2.50% (2.67% and 2.66% at March 31, 2015 and December 31, 2014, respectively) and expires on December 17, 2015.

During the term of this master repurchase agreement, proceeds from the pool of distressed residential mortgage loans will be applied to pay any price differential and to reduce the aggregate repurchase price of the collateral. The financing under the master repurchase agreement is subject to margin calls to the extent the market value of the pool of distressed residential mortgage loans falls below specified levels and repurchase may be accelerated upon an event of default under the master repurchase agreement. The master repurchase agreement contains various covenants, among other things, to maintenance of certain amounts of net worth, liquidity and leverage ratio. The Company is in compliance with such covenants as of May 7, 2015.

11. Residential Collateralized Debt Obligations

The Company's Residential CDOs, which are recorded as liabilities on the Company's condensed consolidated balance sheets, are secured by ARM loans pledged as collateral, which are recorded as assets of the Company. As of March 31, 2015 and December 31, 2014, the Company had Residential CDOs outstanding of \$138.4 million and \$145.5 million, respectively. As of March 31, 2015 and December 31, 2014, the current weighted average interest rate on these Residential CDOs was 0.55%. The Residential CDOs are collateralized by ARM loans with a principal balance of \$145.7 million and \$152.3 million at March 31, 2015 and December 31, 2014, respectively. The Company retained the owner trust certificates, or residual interest for three securitizations, and, as of March 31, 2015 and December 31, 2014, had a net investment in the residential securitization trusts of \$5.3 million and \$5.6 million, respectively.

12. 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. The following table summarizes the key details of the Company's subordinated debentures as of March 31, 2015 and December 31, 2014 (dollar amounts in thousands):

	NYM Preferred Trust I		NYM Preferred Trust II	
Principal value of trust preferred securities	\$	25,000	\$	20,000
Interest Rate	Three month LIBOR plus 3.75%, resetting quarterly		Three month LIBOR plus 3.95%, resetting quarterly	
Scheduled maturity	March 30, 2035		October 30, 2035	

As of May 7, 2015, the Company has not been notified, and is not aware, of any event of default under the covenants for the subordinated debentures.

13. Commitments and Contingencies

Loans Sold to Third Parties – The Company sold its mortgage lending business in March 2007. In the normal course of business, the Company is obligated to repurchase loans based on violations of representations and warranties in the loan sale agreements. The Company did not repurchase any loans during the three months ended March 31, 2015.

Outstanding Litigation – The Company is at times subject to various legal proceedings arising in the ordinary course of business. As of March 31, 2015, the Company does not believe that any of its current legal proceedings, individually or in the aggregate, will have a material adverse effect on the Company's operations, financial condition or cash flows.

14. Fair Value of Financial Instruments

The Company has established and documented processes for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, then fair value is based upon internally developed models that primarily use inputs that are market-based or independently-sourced market parameters, including interest rate yield curves.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following describes the valuation methodologies used for the Company's financial instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

- a. *Investment Securities Available for Sale (RMBS, U.S. Treasury Securities and CLOs)* – Fair value for the RMBS in our portfolio are valued using a third-party pricing service or are based on quoted prices provided by dealers who make markets in similar financial instruments. The dealers will incorporate common market pricing methods, including a spread measurement to the Treasury curve or interest rate swap curve as well as underlying characteristics of the particular security including coupon, periodic and life caps, collateral type, rate reset period and seasoning or age of the security. If quoted prices for a security are not reasonably available from a dealer, the security will be re-classified as a Level 3 security and, as a result, management will determine the fair value based on characteristics of the security that the Company receives from the issuer and based on available market information. Management reviews all prices used in determining valuation to ensure they represent current market conditions. This review includes surveying similar market transactions, comparisons to interest pricing models as well as offerings of like securities by dealers. The Company's investment securities that are comprised of RMBS and CLOs are valued based upon readily observable market parameters and are classified as Level 2 fair values. The Company's U.S. Treasury securities are classified as Level 1 fair values.

- b. *Investment Securities Available for Sale (CMBS)* – As the Company’s CMBS investments are comprised of securities for which there are not substantially similar securities that trade frequently, the Company classifies these securities as Level 3 fair values. Fair value of the Company’s CMBS investments is based on an internal valuation model that considers expected cash flows from the underlying loans and yields required by market participants. The significant unobservable inputs used in the measurement of these investments are projected losses of certain identified loans within the pool of loans and a discount rate. The discount rate used in determining fair value incorporates default rate, loss severity and current market interest rates. The discount rate ranges from 4.7% to 10.3%. Significant increases or decreases in these inputs would result in a significantly lower or higher fair value measurement.
- c. *Multi-Family Loans Held in Securitization Trusts* – Multi-family loans held in securitization trusts are recorded at fair value and classified as Level 3 fair values. Fair value is based on an internal valuation model that considers expected cash flows from the underlying loans and yields required by market participants. The significant unobservable inputs used in the measurement of these investments are discount rates. The discount rate used in determining fair value incorporates default rate, loss severity and current market interest rates. The discount rate ranges from 2.5% to 5.2%. Significant increases or decreases in these inputs would result in a significantly lower or higher fair value measurement.
- d. *Derivative Instruments* – The fair value of interest rate swaps, swaptions, options and TBAs are based on dealer quotes. The fair value of future contracts are based on exchange-traded prices. The Company’s derivatives are classified as Level 1 or Level 2 fair values.
- e. *Multi-Family CDOs* – Multi-Family collateralized debt obligations are recorded at fair value and classified as Level 3 fair values. The fair value of Multi-family CDOs is determined using a third party pricing service or are based on quoted prices provided by dealers who make markets in similar financial instruments. The dealers will consider contractual cash payments and yields expected by market participants. Dealers also incorporate common market pricing methods, including a spread measurement to the Treasury curve or interest rate swap curve as well as underlying characteristics of the particular security including coupon, periodic and life caps, collateral type, rate reset period and seasoning or age of the security. The Company’s Multi-family CDOs are classified as Level 3 fair values.

The following table presents the Company's financial instruments measured at fair value on a recurring basis as of March 31, 2015 and December 31, 2014, respectively, on the Company's condensed consolidated balance sheets (dollar amounts in thousands):

	Measured at Fair Value on a Recurring Basis at							
	March 31, 2015				December 31, 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets carried at fair value								
Investment securities available for sale:								
Agency RMBS	\$ —	\$ 754,561	\$ —	\$ 754,561	\$ —	\$ 779,505	\$ —	\$ 779,505
Non-Agency RMBS	—	1,847	—	1,847	—	1,939	—	1,939
CLOs	—	35,143	—	35,143	—	35,203	—	35,203
U.S. Treasury Securities	9,993	—	—	9,993				
Investment securities available for sale held in securitization trusts:								
CMBS	—	—	39,251	39,251	—	—	38,594	38,594
Multi-family loans held in securitization trusts	—	—	7,399,851	7,399,851	—	—	8,365,514	8,365,514
Derivative assets:								
TBA Securities	—	333,004	—	333,004	—	284,971	—	284,971
Options on U.S. Treasury futures	154	—	—	154	92	—	—	92
U.S. Treasury futures	403	—	—	403	379	—	—	379
Interest rate swaps	—	229	—	229	—	1,135	—	1,135
Swaptions	—	1,551	—	1,551	—	2,273	—	2,273
Total	<u>\$ 10,550</u>	<u>\$ 1,126,335</u>	<u>\$ 7,439,102</u>	<u>\$ 8,575,987</u>	<u>\$ 471</u>	<u>\$ 1,105,026</u>	<u>\$ 8,404,108</u>	<u>\$ 9,509,605</u>
Liabilities carried at fair value								
Multi-family collateralized debt obligations	\$ —	\$ —	\$ 7,106,681	\$ 7,106,681	\$ —	\$ —	\$ 8,048,053	\$ 8,048,053
Derivative liabilities:								
U.S. Treasury futures	—	—	—	—	—	—	—	—
Eurodollar futures	2,473	—	—	2,473	900	—	—	900
Swaptions	—	73	—	73	—	—	—	—
Interest rate swaps	—	706	—	706	—	232	—	232
Interest rate swap futures	3,423	—	—	3,423	331	—	—	331
Total	<u>\$ 5,896</u>	<u>\$ 779</u>	<u>\$ 7,106,681</u>	<u>\$ 7,113,356</u>	<u>\$ 1,231</u>	<u>\$ 232</u>	<u>\$ 8,048,053</u>	<u>\$ 8,049,516</u>

The following table details changes in valuation for the Level 3 assets for the three months ended March 31, 2015 and 2014, respectively (amounts in thousands):

Level 3 Assets:

	Three Months Ended March 31,	
	2015	2014
Balance at beginning of period	\$ 8,404,108	\$ 8,203,600
Total gains/(losses) (realized/unrealized)		
Included in earnings (1)	130,248	132,383
Included in other comprehensive income	68	1,920
Purchases/(Sales) (2)	(1,075,529)	
Paydowns	(19,793)	(16,592)
Transfer to real estate owned	—	(3,545)
Balance at the end of period	<u>\$ 7,439,102</u>	<u>\$ 8,317,766</u>

(1) Amounts included in interest income from multi-family loans held in securitization trusts unrealized gain on multi-family loans and debt held in securitization trusts, net and gain on deconsolidation.

(2) In February 2015, the Company sold a first loss PO security in one of the Company's Consolidated K-Series obtaining total proceeds of approximately \$44.3 million and realizing a gain of approximately \$1.5 million. The sale resulted in a de-consolidation of \$1.1 billion in Multi-Family loans held in a securitization trust and \$1.0 billion in Multi-Family CDOs.

The following table details changes in valuation for the Level 3 liabilities for the three months ended March 15, 2015 and 2014, respectively (amounts in thousands):

Level 3 Liabilities:

	Three Months Ended March 31 ,	
	201 5	201 4
Balance at beginning of period	\$ 8,048,053	\$ 7,871,020
Total gains (realized/unrealized)		
Included in earnings ⁽¹⁾	109,686	120,993
Included in other comprehensive income	—	—
Purchases/(Sales) ⁽²⁾	(1,031,268)	—
Paydowns	(19,790)	(16,592)
Balance at the end of period	<u>\$ 7,106,681</u>	<u>\$ 7,975,421</u>

⁽¹⁾ Amounts included in interest expense on multi-family collateralized debt obligations and unrealized gain on multi-family loans and debt held in securitization trusts, net.

⁽²⁾ In February 2015, the Company sold a first loss PO security in one of the Company's Consolidated K-Series obtaining total proceeds of approximately \$44.3 million and realizing a gain of approximately \$1.5 million. The sale resulted in a de-consolidation of \$1.1 billion in Multi-Family loans held in a securitization trust and \$1.0 billion in Multi-Family CDOs.

The following table details the changes in unrealized gains (losses) included in earnings for our Level 3 assets and liabilities for the three months ended March 31, 2015 and 2014, respectively (dollar amounts in thousands):

	Three Months Ended March 31,	
	2015	2014
Change in unrealized gains (losses) – assets	\$ 136,396	\$ 143,442
Change in unrealized gains(losses) – liabilities	(122,768)	(138,516)
Net change in unrealized gains included in earnings for assets and liabilities	<u>\$ 13,628</u>	<u>\$ 4,926</u>

Any changes to the valuation methodology are reviewed by management to ensure the changes are appropriate. As markets and products develop and the pricing for certain products becomes more transparent, the Company continues to refine its valuation methodologies. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The Company uses inputs that are current as of each reporting date, which may include periods of market dislocation, during which time price transparency may be reduced. This condition could cause the Company's financial instruments to be reclassified from Level 2 to Level 3 in future periods.

The following table presents assets measured at fair value on a non-recurring basis as of March 31, 2015 and December 31, 2014, respectively, on the condensed consolidated balance sheets (dollar amounts in thousands):

	Assets Measured at Fair Value on a Non-Recurring Basis at							
	March 31, 2015				December 31, 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Residential mortgage loans held in securitization trusts – impaired loans (net)	\$ —	\$ —	\$ 9,028	\$ 9,028	\$ —	\$ —	\$ 9,323	\$ 9,323
Real estate owned held in residential securitization trusts	—	—	458	458	—	—	965	965

The following table presents losses incurred for assets measured at fair value on a non-recurring basis for the three months ended March 31, 2015 and 2014, respectively, on the Company's condensed consolidated statements of operations (dollar amounts in thousands):

	Three Months Ended March 31,	
	2015	2014
Residential mortgage loans held in securitization trusts – impaired loans (net)	\$ (285)	\$ 15
Real estate owned held in residential securitization trusts	—	84

Residential Mortgage Loans Held in Securitization Trusts – Impaired Loans (net) – Impaired residential mortgage loans held in securitization trusts are recorded at amortized cost less specific loan loss reserves. Impaired loan value is based on management's estimate of the net realizable value taking into consideration local market conditions of the property, updated appraisal values of the property and estimated expenses required to remediate the impaired loan.

Real Estate Owned Held in Residential Securitization Trusts – Real estate owned held in the residential securitization trusts are recorded at net realizable value. Any subsequent adjustment will result in the reduction in carrying value with the corresponding amount charged to earnings. Net realizable value based on an estimate of disposal taking into consideration local market conditions of the property, updated appraisal values of the property and estimated expenses required to sell the property.

The following table presents the carrying value and estimated fair value of the Company's financial instruments at March 31, 2015 and December 31, 2014, respectively, (dollar amounts in thousands):

		March 31, 2015		December 31, 2014	
	Fair Value Hierarchy Level	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Assets:					
Cash and cash equivalents	Level 1	\$ 88,990	\$ 88,990	\$ 75,598	\$ 75,598
Investment securities available for sale	Level 2 or 3	801,544	801,544	816,647	816,647
Investment securities available for sale, at fair value held in securitization trusts	Level 3	39,251	39,251	38,594	38,594
Residential mortgage loans held in securitization trusts (net)	Level 3	142,677	127,616	149,614	135,241
Distressed residential mortgage loans (net) ⁽¹⁾	Level 3	568,979	589,901	582,697	599,182
Multi-family loans held in securitization trusts	Level 3	7,399,851	7,399,851	8,365,514	8,365,514
Derivative assets	Level 1 or 2	335,341	335,341	288,850	288,850
Mortgage loans held for sale (net) ⁽²⁾	Level 3	2,476	2,480	7,712	7,713
First mortgage loans ⁽²⁾	Level 3	9,734	10,081	9,544	9,832
Mezzanine loan and equity investments ⁽²⁾	Level 3	80,080	80,326	66,951	67,233
Financial Liabilities:					
Financing arrangements, portfolio investments	Level 2	\$ 619,741	\$ 619,741	\$ 651,965	\$ 651,965
Financing arrangements, distressed residential mortgage loans	Level 2	238,228	238,228	238,949	238,949
Residential collateralized debt obligations	Level 3	138,367	124,014	145,542	130,919
Multi-family collateralized debt obligations	Level 3	7,106,681	7,106,681	8,048,053	8,048,053
Securitized debt	Level 3	200,312	207,387	232,877	240,341
Derivative liabilities	Level 1 or 2	6,675	6,675	1,463	1,463
Payable for securities purchased	Level 1	330,772	330,772	283,537	283,537
Subordinated debentures	Level 3	45,000	36,611	45,000	36,531

⁽¹⁾ Includes distressed residential mortgage loans held in securitization trusts with a carrying value amounting to approximately \$213.3 million and \$221.6 million at March 31, 2015 and December 31, 2014, respectively and distressed residential mortgage loans with a carrying value amounting to approximately \$355.7 million and \$361.1 million at March 31, 2015 and December 31, 2014, respectively.

⁽²⁾ Included in receivables and other assets in the accompanying condensed consolidated balance sheets.

In addition to the methodology to determine the fair value of the Company's financial assets and liabilities reported at fair value on a recurring basis and non-recurring basis, as previously described, the following methods and assumptions were used by the Company in arriving at the fair value of the Company's other financial instruments in the table immediately above:

- a. *Cash and cash equivalents* – Estimated fair value approximates the carrying value of such assets.
- b. *Residential mortgage loans held in securitization trusts (net)* – Residential mortgage loans held in the securitization trusts are recorded at amortized cost. Fair value is based on an internal valuation model that considers 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 estimated market prices for similar types of loans.
- c. *Distressed residential mortgage loans (net)* – Fair value is estimated using pricing models taking into consideration current interest rates, loan amount, payment status and property type, and forecasts of future interest rates, home prices and property values, prepayment speeds, default, loss severities, and actual purchases and sales of similar loans.
- d. *Mortgage loans held for sale (net)* – The fair value of mortgage loans held for sale (net) are estimated by the Company based on the price that would be received if the loans were sold as whole loans taking into consideration the aggregated characteristics of the loans such as, but not limited to, collateral type, index, interest rate, margin, length of fixed interest rate period, life time cap, periodic cap, underwriting standards, age and credit.
- e. *First mortgage loan and mezzanine loan and equity investments* – Estimated fair value is determined by both market comparable pricing and discounted cash flows. The discounted cash flows are based on the underlying contractual cash flows and estimated changes in market yields. The fair value also reflects consideration of changes in credit risk since the origination or time of initial investment.
- f. *Financing arrangements* – The fair value of these financing arrangements approximates cost as they are short term in nature.
- g. *Residential collateralized debt obligations* – The fair value of these CDOs is based on discounted cash flows as well as market pricing on comparable obligations.
- h. *Securitized debt* – The fair value of securitized debt is based on discounted cash flows using management's estimate for market yields.
- i. *Payable for securities purchased* – Estimated fair value approximates the carrying value of such liabilities.
- j. *Subordinated debentures* – The fair value of these subordinated debentures is based on discounted cash flows using management's estimate for market yields.

15. **Stockholders' Equity**

(a) Dividends on Preferred Stock

The Company had 200,000,000 authorized shares of preferred stock, par value \$0.01 per share, with 3,000,000 shares issued and outstanding as of March 31, 2015 and December 31, 2014. On June 4, 2013, the Company issued 3,000,000 shares of 7.75% Series B Cumulative Redeemable Preferred Stock ("Series B Preferred Stock"), with a par value of \$0.01 per share and a liquidation preference of \$25 per share, in an underwritten public offering, for net proceeds of approximately \$72.4 million, after deducting underwriting discounts and offering expenses. As of March 31, 2015 and December 31, 2014, there were 6,000,000 and 3,450,000 shares of Series B Preferred Stock authorized. The Series B Preferred Stock is entitled to receive a dividend at a rate of 7.75% per year on the \$25 liquidation preference and is senior to the common stock with respect to dividends and distribution of assets upon liquidation, dissolution or winding up. The Series B Preferred Stock generally does not have any voting rights, subject to an exception in the event the Company fails to pay dividends on such stock for six or more quarterly periods (whether or not consecutive). Under such circumstances, holders of the Series B Preferred Stock, voting together as a single class with the holders of all other classes or series of our preferred stock upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series B Preferred Stock, will be entitled to vote to elect two additional directors to the Company's Board of Directors (the "Board") until all unpaid dividends have been paid or declared and set apart for payment. In addition, certain material and adverse changes to the terms of the Series B Preferred Stock cannot be made without the affirmative vote of holders of at least two-thirds of the outstanding shares of Series B Preferred Stock.

The Series B Preferred Stock is not redeemable by the Company prior to June 4, 2018, except under circumstances intended to preserve the Company's qualification as a REIT and except upon the occurrence of a Change of Control (as defined in the Articles Supplementary designating the Series B Preferred Stock). On and after June 4, 2018, the Company may, at its option, redeem the Series B Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price equal to \$25.00 per share, plus any accumulated and unpaid dividends.

In addition, upon the occurrence of a Change of Control, the Company may, at its option, redeem the Series B Preferred Stock, in whole or in part, within 120 days after the first date, on which such Change of Control occurred, for cash at a redemption price of \$25.00 per share, plus any accumulated and unpaid dividends.

The Series B Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and will remain outstanding indefinitely unless repurchased or redeemed by the Company or converted into the Company's common stock in connection with a Change of Control by the holders of the Series B Preferred Stock.

Upon the occurrence of a Change of Control, each holder of Series B Preferred Stock will have the right (unless the Company has exercised its right to redeem the Series B Preferred Stock) to convert some or all of the Series B Preferred Stock held by such holder into a number of shares of our common stock per share of Series B Preferred Stock determined by a formula, in each case, on the terms and subject to the conditions described in the Articles Supplementary.

From the time of original issuance of the Series B Preferred Stock through March 31, 2015, the Company has declared and paid all required quarterly dividends on such stock. The following table presents the relevant dates with respect to such quarterly cash dividends on the Series B Preferred Stock from January 1, 2014 through March 31, 2015:

Declaration Date	Record Date	Payment Date	Cash Dividend Per Share
March 18, 2015	April 1, 2015	April 15, 2015	\$ 0.484375
December 12, 2014	January 1, 2015	January 15, 2015	\$ 0.484375
September 18, 2014	October 1, 2014	October 15, 2014	\$ 0.484375
June 18, 2014	July 1, 2014	July 15, 2014	\$ 0.484375
March 13, 2014	April 1, 2014	April 15, 2014	\$ 0.484375

(b) Dividends on Common Stock

The following table presents cash dividends declared by the Company on its common stock with respect to each of the quarterly periods commencing January 1, 2014 and ended March 31, 2015:

Period	Declaration Date	Record Date	Payment Date	Cash Dividend Per Share
First Quarter 2015	March 18, 2015	March 30, 2015	April 27, 2015	\$ 0.27
Fourth Quarter 2014	December 12, 2014	December 22, 2014	January 26, 2015	\$ 0.27
Third Quarter 2014	September 18, 2014	September 29, 2014	October 27, 2014	\$ 0.27
Second Quarter 2014	June 18, 2014	June 30, 2014	July 25, 2014	\$ 0.27
First Quarter 2014	March 13, 2014	March 24, 2014	April 25, 2014	\$ 0.27

(c) *Public Offering of Common Stock*

The table below presents information with respect to shares of the Company's common stock issued through underwritten public offerings during the three months ended March 31, 2014. There were no underwritten public offerings of common stock during the three months ended March 31, 2015.

Share Issue Date	Shares Issued	Net Proceeds ⁽¹⁾
(Amounts in Thousands)		
January 10, 2014	11,500	\$ 75,846

⁽¹⁾ Proceeds are net of underwriting costs and offering expenses paid by the Company.

(d) *Equity Distribution Agreement*

On March 20, 2015, the Company entered into separate equity distribution agreements (collectively, the "Equity Distribution Agreements") with each of JMP Securities LLC ("JMP") and MLV & Co. LLC ("MLV"), each an "Agent" and collectively, the "Agents", pursuant to which the Company may sell up to \$75,000,000 of aggregate value of (i) shares of the Company's common stock, par value \$0.01 per and (ii) shares of the Company's Series B Preferred Stock, from time to time through the Agents. The Company has no obligation to sell any of the shares under the Equity Distribution Agreements and may at any time suspend solicitations and offers under the Equity Distribution Agreements. During the three months ended March 31, 2015, the Company issued 1,375,682 shares under the Equity Distribution Agreements, at an average sales price of \$8.04, resulting in total net proceeds to the Company of \$10.8 million, after deducting the placement fees. As of March 31, 2015, approximately \$63.9 million of securities remains available for issuance under the Equity Distribution Agreements.

On March 20, 2015, in connection with the Company's execution of the Equity Distribution Agreements described above, the Company delivered to JMP a notice of termination of the Equity Distribution Agreement dated June 11, 2012 (the "Prior Equity Distribution Agreement"), which termination became effective March 23, 2015. The Prior Equity Distribution Agreement provided for the sale by the Company of common stock having a maximum aggregate value of up to \$25,000,000 from time to time through JMP, as the Company's agent. During the three months ended March 31, 2015, the Company issued 1,326,676 shares under the Prior Equity Distribution Agreement, at an average sales price of \$7.89 resulting in total net proceeds to the Company of \$10.3 million, after deducting the placement fees. During the three months ended March 31, 2014, there were no shares issued under the Prior Equity Distribution Agreement. During the term of the Prior Equity Distribution Agreement, the Company sold a total of 2,153,989 shares of its common stock at an average price of \$7.63 per share pursuant to the Prior Distribution Agreement, resulting in net proceeds to the Company of approximately \$16.1 million.

16. Earnings Per Share

The Company calculates basic net income per share by dividing net income for the period by weighted-average shares of common stock outstanding for that period. Diluted net income per share takes into account the effect of dilutive instruments, such as convertible preferred stock, 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. There were no dilutive instruments for the three months ended March 31, 2015 and 2014.

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

	For the Three Months Ended March 31 ,	
	201 5	201 4
Numerator :		
Net income attributable to common stockholders– Basic	\$ 22,090	\$ 21,258
Net income attributable to common stockholders– Dilutive	22,090	21,258
Denominator:		
Weighted average basic shares outstanding	105,488	74,505
Weighted average dilutive shares outstanding	105,488	74,505
EPS:		
Basic EPS	\$ 0.21	\$ 0.29
Dilutive EPS	\$ 0.21	\$ 0.29

17. Stock Incentive Plan

Pursuant to the Company's 2010 Stock Incentive Plan (the "2010 Plan"), as approved by the Company's stockholders, eligible employees, officers and directors of the Company have the opportunity to acquire the Company's common stock through the award of restricted stock and other equity awards under the 2010 Plan. The maximum number of shares that may be issued under the 2010 Plan is 1,190,000.

Of the common stock authorized at March 31, 2015 and December 31, 2014, 676,862 shares and 862,512 shares, respectively, were reserved for issuance under the Company's 2010 Stock Incentive Plan. At March 31, 2015 and December 31, 2014, there were 280,457 and 162,171 shares of unvested restricted stock outstanding under the 2010 Plan. The Company's directors have been issued 111,311 shares under the 2010 Plan as of March 31, 2015 and December 31, 2014, respectively. The Company's employees have been issued 401,827 and 216,177 shares under the 2010 Plan as of March 31, 2015 and December 31, 2014, respectively.

During the three months ended March 31, 2015 and 2014, the Company recognized non-cash compensation expense of \$0.2 million and \$0.1 million, respectively. Dividends are paid on all restricted stock issued, whether those shares have vested or not. In general, non-vested restricted stock is forfeited upon the recipient's termination of employment. There were no forfeitures during the three months ended March 31, 2015 and 2014.

A summary of the activity of the Company's non-vested restricted stock under the 2010 Plan for the three months ended March 31, 2015 and 2014, respectively, is presented below:

	2015		2014	
	Number of Non-vested Restricted Shares	Weighted Average Per Share Grant Date Fair Value ⁽¹⁾	Number of Non-vested Restricted Shares	Weighted Average Per Share Grant Date Fair Value ⁽¹⁾
Non-vested shares at January 1	162,171	\$ 7.26	94,873	\$ 7.01
Granted	185,650	7.79	104,517	7.39
Vested	(67,364)	7.18	(37,219)	6.97
Non-vested shares as of March 31	280,457	\$ 7.63	162,171	\$ 7.26
Weighted-average fair value of restricted stock granted during the period	185,650	\$ 7.79	104,517	\$ 7.39

⁽¹⁾ The grant date fair value of restricted stock awards is based on the closing market price of the Company's common stock at the grant date.

At March 31, 2015 and 2014, the Company had unrecognized compensation expense of \$2.0 million and \$1.1 million, respectively, related to the non-vested shares of restricted common stock under the 2010 Plan. The unrecognized compensation expense at March 31, 2015 is expected to be recognized over a weighted average period of 2.5 years. The total fair value of restricted shares vested during the three months ended March 31, 2015 and 2014 was approximately \$0.5 million and \$0.3 million, respectively. The requisite service period for restricted shares at issuance is three years.

18. Income Taxes

At March 31, 2015, a wholly owned TRS of the Company had approximately \$59 million of net operating loss carryforwards which the Company does not expect to be able to utilize to offset future taxable income, other than taxable income arising from certain "built in gains" on its CLOs. The carryforwards will expire between 2024 through 2028. The Internal Revenue Code places certain limitations on the annual amount of net operating loss carryforwards that can be utilized if certain changes in the Company's ownership occur. The Company determined during 2012 that it had undergone ownership changes within the meaning of Internal Revenue Code Section 382 that the Company believes will substantially eliminate utilization of these net operating loss carryforwards to offset future taxable income. In general, if a company incurs an ownership change under Section 382, the company's ability to utilize a net operating loss, or NOL carryforward to offset its taxable income becomes limited to a certain amount per year.

In 2014, the Company, through its wholly owned TRSs, incurred net operating losses in the aggregate amount of approximately \$3.6 million. The Company's carryforward net operating losses, which are not subject to a Section 382 limitation, will expire between 2033 and 2034 if they are not offset by future taxable income. Additionally, during 2014, the Company, through one of its wholly owned TRSs, also incurred approximately \$3.5 million in capital losses. The Company's carryforward capital losses will expire by 2018 if they are not offset by future capital gains. The Company has recorded a valuation allowance against certain deferred tax assets at March 31, 2015 as management does not believe that it is more likely than not that these deferred tax assets will be realized.

The Company files income tax returns with the U.S. federal government and various state and local jurisdictions. The Company is no longer subject to tax examinations by tax authorities for years prior to 2011. The Company has assessed its tax positions for all open years, which includes 2011 to 2014 and concluded that there are no material uncertainties to be recognized.

During the three months ended March 31, 2015 and 2014, the Company's TRSs recorded approximately \$0.2 million and \$3.0 million, respectively, of income tax expense. The Company's estimated taxable income differs from the federal statutory rate as a result of state and local taxes, non-taxable REIT income, a valuation allowance and other differences.

The components of the Company's deferred tax assets and liabilities are as follows (dollar amounts in thousands):

	March 31, 2015	December 31, 2014
Deferred tax assets		
Net operating loss carryforward	\$ 28,974	\$ 28,704
Net capital loss carryforward	3,196	1,592
GAAP/Tax basis differences	2,469	1,755
Total deferred tax assets ⁽¹⁾	<u>34,639</u>	<u>32,051</u>
Valuation allowance	<u>(31,937)</u>	<u>(30,412)</u>
Deferred tax liabilities		
Deferred tax liabilities	1,346	1,040
Total deferred tax liabilities ⁽²⁾	<u>1,346</u>	<u>1,040</u>
Total net deferred tax asset	<u>\$ 1,356</u>	<u>\$ 599</u>

⁽¹⁾ Included in receivables and other assets in the accompanying condensed consolidated balance sheets.

⁽²⁾ Included in accrued expenses and other liabilities in the accompanying condensed consolidated balance sheets.

19. Related Party Transactions

Management Agreements

On April 5, 2011, the Company entered into a management agreement with RiverBanc, pursuant to which RiverBanc provides investment management services to the Company. On March 13, 2013, the Company entered into an amended and restated management agreement with RiverBanc (as amended, the "RiverBanc Management Agreement"). The RiverBanc Management Agreement replaced the prior management agreement between RiverBanc and the Company, dated as of April 5, 2011. The amended and restated agreement has an effective date of January 1, 2013 and has a term that will expire on December 31, 2015, subject to automatic annual one-year renewals thereof.

As of March 31, 2015 and December 31, 2014, the Company owned a 20% membership interest in RiverBanc. For the three months ended March 31, 2015 and 2014, the Company recognized approximately \$0.7 million and \$0.1 million in income related to its investment in RiverBanc, respectively.

RiverBanc manages an entity, RMI, in which the Company owns, as of March 31, 2015 and December 31, 2014, approximately 67% of the outstanding common equity interests and certain preferred equity interests. Pursuant to a management agreement between RiverBanc and this entity, RiverBanc is entitled to receive base management and incentive fees for its management of assets owned by RMI. Our total investment in RMI, which is included in receivable and other assets on the accompanying condensed consolidated balance sheets, amounts to approximately \$47.5 million and \$36.6 million as of March 31, 2015 and December 31, 2014, respectively. For the three months ended March 31, 2015 and 2014, the Company recognized \$1.1 million and \$0.2 million in income related to our investment in RMI, respectively.

For the three months ended March 31, 2015 and 2014, the Company expensed \$3.9 million and \$1.1 million in fees to RiverBanc, respectively. As of March 31, 2015 and December 31, 2014, the Company had fees payable to RiverBanc of \$3.5 million and \$6.3 million, respectively, included in accrued expenses and other liabilities.

Douglas E. Neal, one of our non-independent directors, has entered into a consulting arrangement with RiverBanc. To address any potential conflicts of interest that may result from this arrangement, for as long as Mr. Neal is affiliated with RiverBanc, transactions between RiverBanc and our Company will require review and approval or ratification of the Audit Committee pursuant to the Company's Related Person Transaction Policy.

20. Subsequent Events

On April 22, 2015, the Company closed on a public offering of 3,600,000 shares of the Company's 7.875% Series C Cumulative Redeemable Preferred Stock, \$0.01 par value per share ("Series C Preferred Stock"). The issuance and sale of the 3,600,000 shares of Series C Preferred Stock resulted in total net proceeds to the Company of approximately \$87.0 million after deduction of underwriting discounts and commissions and estimated offering expenses.

In April 2015, we issued 1,413,757 shares under the Equity Distribution Agreements with JMP, at an average sales price of \$7.79, resulting in total net proceeds to the Company of \$10.8 million, after deducting the placement fees.

In April 2015, the Company received an advance of \$121.0 million from FHLBI which is secured by Agency RMBS.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

When used in this Quarterly Report on Form 10-Q, in future filings with the Securities and Exchange Commission, or SEC, or in press releases or other written or oral communications issued or made by us, statements which are not historical in nature, including those containing words such as “believe,” “expect,” “anticipate,” “estimate,” “plan,” “continue,” “intend,” “should,” “would,” “could,” “goal,” “objective,” “will,” “may” or similar expressions, are intended to identify “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act, and, as such, may involve known and unknown risks, uncertainties and assumptions.

Forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. The following factors are examples of those that could cause actual results to vary from our forward-looking statements: changes in interest rates and the market value of our securities, changes in credit spreads, the impact of the downgrade of the long-term credit ratings of the U.S., Fannie Mae, Freddie Mac, and Ginnie Mae; market volatility; changes in the prepayment rates on the mortgage loans underlying our investment securities; increased rates of default and/or decreased recovery rates on our assets; our ability to borrow to finance our assets; changes in government laws, regulations or policies affecting our business, including actions taken by the U.S. Federal Reserve and the U.S. Treasury and those relating to Fannie Mae, Freddie Mac or Ginnie Mae; our ability to maintain our qualification as a REIT for federal tax purposes; our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended; and risks associated with investing in real estate assets, including changes in business conditions and the general economy. These and other risks, uncertainties and factors, including the risk factors described in this report and in Part I, Item 1A – “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2014 and as updated by our subsequent filings with the SEC under the Exchange Act, could cause our actual results to differ materially from those projected in any forward-looking statements we make. All forward-looking statements speak only as of the date on which they are made. New risks and uncertainties arise over time and it is not possible to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Defined Terms

In this Quarterly Report on Form 10-Q we refer to New York Mortgage Trust, Inc., together with its consolidated subsidiaries, as “we,” “us,” “Company,” or “our,” unless we specifically state otherwise or the context indicates otherwise. We refer to our wholly-owned taxable REIT subsidiaries as “TRSs” and our wholly-owned qualified REIT subsidiaries as “QRSs.” In addition, the following defines certain of the commonly used terms in this report: “RMBS” refers to residential mortgage-backed securities comprised of adjustable-rate, hybrid adjustable-rate, fixed-rate, interest only and inverse interest only, and principal only securities; “Agency RMBS” refers to RMBS representing interests in or obligations backed by pools of mortgage loans issued or guaranteed by a federally chartered corporation (“GSE”), such as the Federal National Mortgage Association (“Fannie Mae”) or the Federal Home Loan Mortgage Corporation (“Freddie Mac”), or an agency of the U.S. government, such as the Government National Mortgage Association (“Ginnie Mae”); “Agency ARMs” refers to Agency RMBS comprised of adjustable-rate and hybrid adjustable-rate RMBS; “non-Agency RMBS” refers to RMBS backed by prime jumbo and Alternative A-paper (“Alt-A”) residential mortgage loans; “IOs” refers collectively to interest only and inverse interest only mortgage-backed securities that represent the right to the interest component of the cash flow from a pool of mortgage loans; “Agency IOs” refers to IOs that represent the right to the interest components of the cash flow from a pool of residential mortgage loans issued or guaranteed by a GSE or an agency of the U.S. government; “POs” refers to mortgage-backed securities that represent the right to the principal component of the cash flow from a pool of mortgage loans; “ARMs” refers to adjustable-rate residential mortgage loans; “prime ARM loans” and “residential securitized loans” each refer to prime credit quality residential ARM loans (“prime ARM loans”) held in securitization trusts; “distressed residential loans” refers to pools of performing and re-performing, fixed-rate and adjustable-rate, fully amortizing, interest-only and balloon, seasoned mortgage loans secured by first liens on one- to four-family properties; “CMBS” refers to commercial mortgage-backed securities comprised of commercial mortgage pass-through securities, as well as IO or PO securities that represent the right to a specific component of the cash flow from a pool of commercial mortgage loans; “multi-family CMBS” refers to CMBS backed by commercial mortgage loans on multi-family properties; “CDOs” refers to collateralized debt obligations; “CLO” refers to collateralized loan obligation; “Consolidated K-Series” refers to, as of March 31, 2015, five separate Freddie Mac- sponsored multi-family loan K-Series securitizations, or as of December 31, 2014, six separate Freddie Mac- sponsored multi-family loan K-Series securitizations, of which we, or one of our special purpose entities, (“SPEs”) , own the first loss PO securities and certain IO securities; “Variable Interest Entity” or “VIE” refers to an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties; and “Consolidated VIEs” refers to VIEs where the Company is the primary beneficiary, as it has both the power to direct the activities that most significantly impact the economic performance of the VIE and a right to receive benefits or absorb losses of the entity that could be potentially significant to the VIE.

General

We are a REIT, for federal income tax purposes, in the business of acquiring, investing in, financing and managing primarily mortgage-related assets and financial assets. Our objective is to manage a portfolio of investments that will deliver stable distributions to our stockholders over diverse economic conditions. We intend to achieve this objective through a combination of net interest margin and net realized capital gains from our investment portfolio. Our portfolio includes certain credit sensitive assets and investments sourced from distressed markets in recent years that create the potential for capital gains, as well as more traditional types of mortgage-related investments that generate interest income.

We have endeavored to build in recent years a diversified investment portfolio that includes elements of interest rate and credit risk, as we believe a portfolio diversified among interest rate and credit risks are best suited to delivering stable cash flows over various economic cycles. Under our investment strategy, our targeted assets currently include residential mortgage loans, including loans sourced from distressed markets, multi-family CMBS, mezzanine loans to and preferred equity investments in owners of multi-family properties, equity and debt securities issued by entities that invest in commercial real estate-related debt investments and Agency RMBS. Subject to maintaining our qualification as a REIT, we also may opportunistically acquire and manage various other types of mortgage-related and financial assets that we believe will compensate us appropriately for the risks associated with them, including, without limitation, non-Agency RMBS (which may include IOs and POs), collateralized mortgage obligations and securities issued by newly originated residential securitizations, including credit sensitive securities from these securitizations.

We seek to achieve a balanced and diverse funding mix to finance our assets and operations. To this end, we currently rely primarily on a combination of short-term borrowings, such as repurchase agreements with terms typically of 30 days (currently, in some cases, up to one year) and longer term structured financings, such as securitization and re-securitization transactions, with terms longer than one year.

We internally manage a certain portion of our portfolio, including Agency ARMs, fixed-rate Agency RMBS, non-Agency RMBS, CLOs and certain residential mortgage loans held in securitization trusts. In addition, as part of our investment strategy, we also contract with certain external investment managers to manage specific asset types targeted by us. We are a party to separate investment management agreements with Headlands, Midway and RiverBanc, with Headlands providing investment management services with respect to our investments in certain distressed residential mortgage loans, Midway providing investment management services with respect to our investments in Agency IOs, and RiverBanc providing investment management services with respect to our investments in multi-family CMBS and certain commercial real estate-related debt investments.

Key First Quarter 2015 Developments

First Quarter 2015 Common Stock and Preferred Stock Dividends

On March 18, 2015, our Board of Directors declared a regular quarterly cash dividend of \$0.27 per common share for the quarter ended March 31, 2015. The dividend was paid on April 27, 2015 to our common stockholders of record as of March 30, 2015.

Also on March 18, 2015, in accordance with the terms of our Series B Preferred Stock, our Board of Directors declared a Series B Preferred Stock quarterly cash dividend of \$0.484375 per share of Series B Preferred Stock. The dividend was paid on April 15, 2015 to our Series B Preferred stockholders of record as of April 1, 2015.

Federal Home Loan Bank Membership

On February 20, 2015, our wholly-owned subsidiary, Great Lakes Insurance Holdings LLC ("GLIH"), became a member of the Federal Home Loan Bank of Indianapolis ("FHLBI"). As a member of the FHLBI, GLIH will have access to a variety of products and services offered by the FHLBI, including secured advances. As of March 31, 2015, GLIH had no outstanding secured advances from FHLBI and had \$200 million of available uncommitted credit for borrowings, which amount may be adjusted at the sole discretion of the FHLBI. In connection, with GLIH becoming a member of the FHLBI, the Company has agreed to guarantee the due and punctual payment of GLIH's obligations to the FHLBI.

Issuance of Common Stock under At-the-Market Offering Programs

For the three months ended March 31, 2015, the Company issued and sold 2,702,358 shares of its common stock at an average price of \$7.97 per share under its at-the-market offering programs, resulting in net proceeds to the Company of approximately \$21.1 million.

Sale of Multi-family CMBS

In February 2015, we completed the sale of a first loss PO security issued by a single Freddie Mac-sponsored securitization included in the Consolidated K-Series, realizing a gain of approximately \$1.5 million.

Subsequent Events

On April 22, 2015, the Company closed on an underwritten public offering of 3,600,000 shares of the Company's 7.875% Series C Cumulative Redeemable Preferred Stock, \$0.01 par value per share ("Series C Preferred Stock"). The issuance and sale of the Series C Preferred Stock resulted in total net proceeds to the Company of approximately \$87.0 million after deduction of underwriting discounts and commissions and estimated offering expenses. In addition, the Company granted the underwriters a 30-day option to purchase up to an additional 540,000 shares of Series C Preferred Stock.

Subsequent to March 31, 2015, the Company issued and sold 1,413,757 shares of its common stock at an average price of \$7.79 per share under its at-the-market offering programs, resulting in net proceeds to the Company of approximately \$10.8 million.

In April 2015, the Company received an advance of \$121.0 million from FHLBI that is secured by Agency RMBS.

Current Market Conditions and Commentary

General . The U.S. economy exhibited lower than expected U.S. real gross domestic product (“GDP”) growth in the first quarter of 2015, with preliminary estimates for first quarter growth of 0.2%, which follows an increase of 2.2% in GDP during fiscal year 2014. With lower than expected GDP growth during the fourth quarter of 2014 and the slow start in 2015, U.S. Federal Reserve (“Federal Reserve”) policymakers appear to be pulling back on GDP growth projections for 2015 and 2016. According to minutes of the Federal Reserve’s March 2015 meeting, the central tendency projections for GDP growth in 2015 have been reduced to 2.3% to 2.7% (as compared to 2.6% to 3.0% as of December 2014), while projections for 2016 have been reduced to 2.3% to 2.7% (as compared to 2.5% and 3.0% as of December 2014). Similar to other economic indicators for the first quarter of 2015, the labor market posted mixed results. According to the U.S. Department of Labor, the U.S. unemployment rate at the end of March 2015 was 5.5%, slightly lower than the 5.6% unemployment rate as of the end of December 2014, while job growth decelerated during the quarter, with total nonfarm payroll employment posting an estimated average monthly increase of approximately 197,000 jobs during the first quarter of 2015 as compared to an average monthly increase of 246,000 jobs during the year ended December 31, 2014. The lower average monthly employment growth numbers for the first quarter of 2015 was significantly impacted by the jobs number in March 2015, which at 126,000 new jobs was significantly below most projections. However, other signs have suggested that labor conditions are improving modestly, including that as of March 2015, the unemployment rate and the number of unemployed persons were down by 1.1% and 1.8 million, respectively, from March 2014.

Federal Reserve and Monetary Policy . In April 2015, the Federal Reserve maintained its intent to keep the target range for the federal funds rate between 0% and 0.25% and indicated that in determining how long to maintain the current target range, the Federal Reserve will assess progress, both realized and expected, towards its objectives of maximum employment and 2% inflation. Market participants generally understand that the Federal Reserve would like to move forward on raising the federal funds rate, but with continued signs of tepid growth and mixed economic signals in the U.S. economy, including those signals from the labor market that are discussed above, and relatively low inflation risks, the bond market anticipates that such a tightening will likely not occur before the second half of 2015 and will likely occur at a very slow pace.

Single-Family Homes and Residential Mortgage Market. The residential real estate market has shown signs of accelerating again in the first quarter of 2015 after decelerating throughout much of 2014, as evidenced by the 0.5% rise in the S&P/Case-Shiller index of home prices in 20 major cities in February 2015 (as compared to January 2015), the largest such increase since July 2014. In addition, according to data provided by the U.S. Department of Commerce, privately-owned housing starts for single family homes averaged a seasonally adjusted annual rate of 636,000 during the first quarter of 2015, as compared to 602,300 during the first quarter of 2014 and 707,700 in the year ended December 31, 2014. We expect the single-family residential real estate market to continue to improve modestly in the near term, but believe that the run up in home prices over the past couple of years, the hesitancy of first-time home buyers to enter the market and the continued difficulty that many borrowers face in trying to obtain mortgage financing will temper housing gains for single family homes in the remainder of 2015. Improving single family housing fundamentals should have a positive impact on the overall credit profile of our portfolio of distressed residential loans.

Multi-family Housing. Apartments and other residential rental properties remain one of the better performing segments of the commercial real estate market. According to data provided by the U.S. Department of Commerce, starts on multi-family homes containing five units or more averaged a seasonally adjusted annual rate of 321,333 during the first quarter of 2015, as compared to 311,700 during the first quarter of 2015 and 340,800 during the year ended December 31, 2014. Moreover, vacancy trends in the multi-family sector appear to be stable. According to the Multifamily Vacancy Index (“MVI”), which is produced by the National Association of Home Builders and surveys the multifamily housing industry’s perception of vacancies, the MVI decreased two points to 39 during the fourth quarter of 2014, which is in the range of levels posted since late 2013. Strength in the multi-family housing sector has contributed to valuation improvements for multi-family properties and, in turn, many of the multi-family CMBS that we own. We expect the multi-family sector to continue to be a strong performer in the near term given the current favorable conditions for multi-family housing in the U.S.

Credit Spreads. Comparable to conditions experienced in 2014, asset gathering in the first quarter of 2015 continues to be challenging. In our view, further tightening of credit spreads has largely resulted from the continued pursuit of credit sensitive assets by a significant amount of investable capital, thereby placing upward pressure on the pricing of the credit sensitive assets that we currently target. Although this trend has had a positive impact on the value of many of the credit sensitive assets in our existing portfolio, which in turn has helped to move our book value per common share higher again this quarter, it has resulted in a more challenging current return environment for new investment in these asset classes, particularly for new multi-family CMBS product and distressed residential loans. Given this challenging current return environment, we expect to remain selective and opportunistic as we source new credit sensitive product over the next couple of quarters, but remain focused in the near term on allocating greater capital to credit sensitive assets that rely on asset selection rather than leverage to generate our targeted returns.

Financing markets and liquidity. During the first quarter of 2015, the bond market experienced a significant amount of volatility with the closing yield of the ten-year U.S. Treasury Note trading between 1.68% and 2.24%, settling at 1.94% at March 31, 2015, as compared to 2.17% at December 31, 2014. Meanwhile short-term interest rates have held steady for the most part during the first quarter of 2015. The 30-day London Interbank Offered Rate (“LIBOR”) was 0.18% at March 31, 2015, which is effectively unchanged from December 31, 2014.

Developments at Fannie Mae and Freddie Mac . Payments on the Agency ARMs and fixed-rate Agency RMBS in which we invest are guaranteed by Fannie Mae and Freddie Mac. In addition, although not guaranteed by Freddie Mac, all of our multi-family CMBS has been issued by securitization vehicles sponsored by Freddie Mac and the Agency IOs we invest in are issued by Fannie Mae, Freddie Mac or Ginnie Mae. As broadly publicized, Fannie Mae and Freddie Mac are presently under federal conservatorship as the U.S. Government continues to evaluate the future of these entities and what role the U.S. Government should continue to play in the housing markets in the future. Since being placed under federal conservatorship, there have been a number of proposals introduced, both from industry groups and by the U.S. Congress, relating to changing the role of the U.S. government in the mortgage market and reforming or eliminating Fannie Mae and Freddie Mac. It remains unclear how the U.S. Congress will move forward on such reform at this time and what impact, if any, this reform will have on mortgage REITs.

Significant Estimates and Critical Accounting Policies

A summary of our critical accounting policies is included in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2014 and “Note 2 – Summary of Significant Accounting Policies” to the condensed consolidated financial statements included therein.

Revenue Recognition . Interest income on our investment securities available for sale and on our mortgage loans is accrued based on the outstanding principal balance and their contractual terms. Premiums and discounts associated with investment securities and mortgage loans at the time of purchase or origination are amortized into interest income over the life of such securities using the effective yield method. Adjustments to premium amortization are made for actual prepayment activity.

Interest income on our credit sensitive securities, such as our non-Agency RMBS and certain of our CMBS that were purchased at a discount to par value, is recognized based on the security’s effective interest rate. The effective interest rate on these securities is based on management’s estimate from each security of the projected cash flows, which are estimated based on the Company’s assumptions related to fluctuations in interest rates, prepayment speeds and the timing and amount of credit losses. On at least a quarterly basis, the Company reviews and, if appropriate, makes adjustments to its cash flow projections based on input and analysis received from external sources, internal models, and its judgment about interest rates, prepayment rates, the timing and amount of credit losses, and other factors. Changes in cash flows from those originally projected, or from those estimated at the last evaluation, may result in a prospective change in the yield/interest income recognized on these securities.

Based on the projected cash flows from the Company’s first loss PO multi-family CMBS purchased at a discount to par value, a portion of the purchase discount is designated as non-accretable purchase discount or credit reserve, which partially mitigates the Company’s risk of loss on the mortgages collateralizing such CMBS, and is not expected to be accreted into interest income. The amount designated as a credit reserve may be adjusted over time, based on the actual performance of the security, its underlying collateral, actual and projected cash flow from such collateral, economic conditions and other factors. If the performance of a security with a credit reserve is more favorable than forecasted, a portion of the amount designated as credit reserve may be accreted into interest income over time. Conversely, if the performance of a security with a credit reserve is less favorable than forecasted, the amount designated as credit reserve may be increased, or impairment charges and write-downs of such securities to a new cost basis could result.

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

Fair value. The Company has established and documented processes for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, then fair value is based upon internally developed models that primarily use inputs that are market-based or independently-sourced market parameters, including interest rate yield curves. Such inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Company’s interest-only CMBS, principal-only CMBS, multi-family loans held in securitization trusts and multi-family CDOs are considered to be the most significant of its fair value estimates.

The Company’s valuation methodologies are described in “Note 14 – Fair Value of Financial Instruments” included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Residential Mortgage Loans Held in Securitization Trusts – Impaired Loans (net). Impaired residential mortgage loans held in the securitization trusts are recorded at amortized cost less specific loan loss reserves. Impaired loan value is based on management's estimate of the net realizable value taking into consideration local market conditions of the distressed property, updated appraisal values of the property and estimated expenses required to remediate the impaired loan.

Variable Interest Entities – A variable interest entity ("VIE") is an entity that lacks one or more of the characteristics of a voting interest entity. A VIE is defined as an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The Company consolidates a VIE when it is the primary beneficiary of such VIE. As primary beneficiary, it has both the power to direct the activities that most significantly impact the economic performance of the VIE and a right to receive benefits or absorb losses of the entity that could be potentially significant to the VIE. The Company is required to reconsider its evaluation of whether to consolidate a VIE each reporting period, based upon changes in the facts and circumstances pertaining to the VIE.

Loan Consolidation Reporting Requirement for Certain Multi-Family K-Series Securitizations . As of March 31, 2015 and December 31, 2014, we owned 100% of the first loss tranche of securities of the Consolidated K-Series. The Consolidated K-Series collectively represents, as of March 31, 2015, five separate Freddie Mac sponsored multi-family loan K-Series securitizations, or as of December 31, 2014, six separate Freddie Mac sponsored multi-family loan K-Series securitizations, of which we, or one of our SPEs, own the first loss PO securities and certain IO securities. We determined that the Consolidated K-Series were VIEs and that we are the primary beneficiary of the Consolidated K-Series. As a result, we are required to consolidate the Consolidated K-Series' underlying multi-family loans including their liabilities, income and expenses in our consolidated financial statements. We have elected the fair value option on the assets and liabilities held within the Consolidated K-Series, which requires that changes in valuations in the assets and liabilities of the Consolidated K-Series to be reflected in our consolidated statement of operations.

Fair Value Option – The fair value option provides an election that allows companies to irrevocably elect fair value for financial assets and liabilities on an instrument-by-instrument basis at initial recognition. Changes in fair value for assets and liabilities for which the election is made will be recognized in earnings as they occur. The Company elected the fair value option for its Agency IO investments and the Consolidated K-Series (as defined in Note 2 to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q).

Acquired Distressed Residential Mortgage Loans – Acquired distressed residential mortgage loans that have evidence of deteriorated credit quality at acquisition are accounted for under ASC Subtopic 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality" ("ASC 310-30"). Under ASC 310-30, the acquired loans may be aggregated and accounted for as a pool of loans if the loans being aggregated have common risk characteristics. A pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Once a pool is assembled, it is treated as if it was one loan for purposes of applying the accounting guidance

Under ASC 310-30, the excess of cash flows expected to be collected over the carrying amount of the loans, referred to as the "accretable yield," is accreted into interest income over the life of the loans in each pool or individually using a level yield methodology. Accordingly, our acquired distressed residential mortgage loans accounted for under ASC 310-30 are not subject to classification as nonaccrual classification in the same manner as our residential mortgage loans that were not distressed when acquired by us. Rather, interest income on acquired distressed residential mortgage loans relates to the accretable yield recognized at the pool level or on an individual loan basis, and not to contractual interest payments received at the loan level. The difference between contractually required principal and interest payments and the cash flows expected to be collected, referred to as the "non-accretable difference," includes estimates of both the impact of prepayments and expected credit losses over the life of the individual loan, or the pool (for loans grouped into a pool).

The Company monitors actual cash collections against its expectations, and revised cash flow expectations are prepared as necessary. A decrease in expected cash flows in subsequent periods may indicate that the loan pool or individual loan, as applicable, is impaired, thus requiring the establishment of an allowance for loan losses by a charge to the provision for loan losses. An increase in expected cash flows in subsequent periods initially reduces any previously established allowance for loan losses by the increase in the present value of cash flows expected to be collected, and results in a recalculation of the amount of accretable yield for the loan pool. The adjustment of accretable yield due to an increase in expected cash flows is accounted for prospectively as a change in estimate. The additional cash flows expected to be collected are reclassified from the non-accretable difference to the accretable yield, and the amount of periodic accretion is adjusted accordingly over the remaining life of the loans in the pool or individual loan, as applicable.

Recent Accounting Pronouncements

A discussion of recent accounting pronouncements and the possible effects on our financial statements is included in "Note 2 — Summary of Significant Accounting Policies" included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Capital Allocation

The following tables set forth our allocated capital by investment type at March 31, 2015 and December 31, 2014, respectively (dollar amounts in thousands):

At March 31, 2015 :

	Agency RMBS ⁽¹⁾	Agency IOs	Multi- Family ⁽²⁾	Distressed Residential Loans ⁽³⁾	Residential Securitized Loans ⁽⁴⁾	Other ⁽⁵⁾	Total
Carrying value	\$ 643,185	\$ 121,369	\$ 420,474	\$ 572,837	\$ 142,677	\$ 41,226	\$ 1,941,768
Liabilities:							
Callable ⁽⁶⁾	(556,556)	(63,185)	—	(238,228)	—	—	(857,969)
Non-callable	—	—	(83,630)	(116,682)	(138,367)	(45,000)	(383,679)
Hedges (Net) ⁽⁷⁾	1,272	(877)	—	—	—	—	395
Cash ⁽⁸⁾	2,924	49,005	1,736	—	—	83,603	137,268
Other	4,417	3,646	(3,435)	22,326	991	(31,969)	(4,024)
Net capital allocated	<u>\$ 95,242</u>	<u>\$ 109,958</u>	<u>\$ 335,145</u>	<u>\$ 240,253</u>	<u>\$ 5,301</u>	<u>\$ 47,860</u>	<u>\$ 833,759</u>

(1) Includes both Agency ARMs and Agency fixed rate RMBS.

(2) The Company determined it is the primary beneficiary of the Consolidated K-Series and has consolidated the Consolidated K-Series into the Company's financial statements. A reconciliation to our financial statements as of March 31, 2015 follows:

Multi-family loans held in securitization trusts, at fair value	\$ 7,399,851
Multi-family CDOs, at fair value	(7,106,681)
Net carrying value	293,170
Investment securities available for sale, at fair value held in securitization trusts	39,251
Total CMBS, at fair value	332,421
First mortgage loan, mezzanine loan and equity investments	88,053
Securitized debt	(83,630)
Cash and other	(1,699)
Net Capital in Multi-Family	<u>\$ 335,145</u>

(3) Includes mortgage loans held for sale with a carrying value of \$3.9 million that is included in the Company's accompanying condensed consolidated balance sheet in receivables and other assets.

(4) Represents our residential mortgage loans held in securitization trusts. We securitized these loans in 2005.

(5) Other includes CLOs having a carrying value of \$35.1 million, non-Agency RMBS and loans held for investment. Other non-callable liabilities consist of \$45.0 million in subordinated debentures.

(6) Includes repurchase agreements.

(7) Includes derivative assets, derivative liabilities, payable for securities purchased and restricted cash posted as margin.

(8) Includes \$39.6 million held in overnight deposits in our Agency IO portfolio to be used for trading purposes. Such deposit is included in the Company's accompanying condensed consolidated balance sheet in receivables and other assets.

At December 31, 2014:

	Agency RMBS ⁽¹⁾	Agency IOs	Multi- Family ⁽²⁾	Distressed Residential Loans ⁽³⁾	Residential Securitized Loans ⁽⁴⁾	Other ⁽⁵⁾	Total
Carrying value	\$ 660,374	\$ 119,131	\$ 430,789	\$ 587,860	\$ 149,614	\$ 41,383	\$ 1,989,151
Liabilities:							
Callable ⁽⁶⁾	(585,051)	(66,914)	—	(238,949)	—	—	(890,914)
Non-callable	—	—	(83,513)	(149,364)	(145,542)	(45,000)	(423,419)
Hedges (Net) ⁽⁷⁾	3,501	11,415	—	—	—	—	14,916
Cash ⁽⁸⁾	2,781	40,572	—	—	—	72,809	116,162
Other	2,731	3,329	(5,569)	39,759	1,531	(29,750)	12,031
Net capital allocated	<u>\$ 84,336</u>	<u>\$ 107,533</u>	<u>\$ 341,707</u>	<u>\$ 239,306</u>	<u>\$ 5,603</u>	<u>\$ 39,442</u>	<u>\$ 817,927</u>

(1) Includes both Agency ARMs and Agency fixed rate RMBS.

(2) The Company determined it is the primary beneficiary of the Consolidated K-Series and has consolidated the Consolidated K-Series into the Company's financial statements. A reconciliation to our financial statements as of December 31, 2014 follows:

Multi-family loans held in securitization trusts, at fair value	\$ 8,365,514
Multi-family CDOs, at fair value	(8,048,053)
Net carrying value	317,461
Investment securities available for sale, at fair value held in securitization trusts	38,594
Total CMBS, at fair value	356,055
First mortgage loan, mezzanine loan and preferred equity investments	74,734
Securitized debt	(83,513)
Other	(5,569)
Net Capital in Multi-family	<u>\$ 341,707</u>

(3) Includes mortgage loans held for sale with a carrying value of \$5.2 million that is included in the Company's accompanying consolidated balance sheet in receivables and other assets.

(4) Represents our residential mortgage loans held in securitization trusts. We securitized these loans in 2005.

(5) Other includes CLOs having a carrying value of \$35.2 million, non-Agency RMBS and loans held for investment. Other non-callable liabilities consist of \$45.0 million in subordinated debentures.

(6) Includes repurchase agreements.

(7) Includes derivative assets, derivative liabilities, payable for securities purchased and restricted cash posted as margin.

(8) Includes \$40.6 million held in overnight deposits in our Agency IO portfolio to be used for trading purposes. Such deposit is included in the Company's accompanying consolidated balance sheet in receivables and other assets.

Comparison of the Three Months Ended March 31, 2015 to the Three Months Ended March 31, 2014

For the three months ended March 31, 2015, we reported net income attributable to common stockholders of \$22.1 million as compared to net income attributable to common stockholders of \$21.3 million for the same period in 2014. The main components of the change in net income for the three months ended March 31, 2015, as compared to the same period in 2014 are detailed in the following table (dollar amounts in thousands, except per share data):

	For the Three Months Ended March 31 ,		
	201 5	201 4	\$ Change
Net interest income	\$ 21,601	\$ 19,825	\$ 1,776
Total other income	\$ 13,033	\$ 13,475	\$ (442)
Total expenses	\$ 10,846	\$ 7,559	\$ 3,287
Income from operations before income taxes	\$ 23,788	\$ 25,741	\$ (1,953)
Income tax expense	\$ 245	\$ 3,030	\$ (2,785)
Net income	\$ 23,543	\$ 22,711	\$ 832
Preferred stock dividends	\$ (1,453)	\$ (1,453)	\$ —
Net income attributable to common stockholders	\$ 22,090	\$ 21,258	\$ 832
Basic income per common share	\$ 0.21	\$ 0.29	\$ (0.08)
Diluted income per common share	\$ 0.21	\$ 0.29	\$ (0.08)

Net Interest Income

The increase in net interest income for the three months ended March 31, 2015 as compared to the corresponding period in the prior year is primarily attributable to an increase in the Company's interest earning assets, which were approximately \$1.8 billion for the quarter end March 31, 2015 as compared to \$1.6 billion for the quarter ended March 31, 2014. In particular, the Company has increased its investments in distressed residential loans to \$569.0 million as of March 31, 2015 from \$234.4 million as of March 31, 2014, resulting in an increase of approximately \$4.6 million in net interest income. Net interest income for the three months ended March 31, 2015 was negatively impacted by our Agency IO portfolio, where net interest income decreased by approximately \$2.3 million due primarily to an increase in prepayment rates in the 2015 first quarter as compared to prepayment rates for the same period in the prior year. Net interest income for the three months ended March 31, 2015 from our Agency RMBS portfolio decreased by \$0.7 million as compared to the corresponding period in the prior year due to a decrease in the portfolio's average interest earning assets from approximately \$764.2 million for the quarter ended March 31, 2014 to approximately \$659.5 million for the quarter ended March 31, 2015. Net interest income for the three months ended March 31, 2015 was also negatively impacted by a decrease of approximately \$0.5 million in net interest income on our multi-family portfolio primarily due to the sale of two of our Freddie-Mac CMBS K-Series investments in 2014 and one of our Freddie-Mac CMBS K-Series investments in early 2015. See "Quarterly Net Interest Spread" below.

Overall, net interest margin declined in the first quarter of 2015 as compared to the first quarter of 2014. In recent quarters, the Company has increased its capital allocation to distressed residential loans, as management believes that the current risk-adjusted returns on these assets are more attractive than the current risk-adjusted returns on its other targeted assets. As the Company continues to expand its distressed residential loan portfolio, it expects the net portfolio interest margin to trend downward, with the impact of lower net margin being partially offset by a slight increase in leverage. Our Freddie-Mac CMBS K-Series investments have higher yields than distressed residential loans but are generally financed with less leverage than residential loans.

Other Income

Total other income decreased by \$0.4 million for the three months ended March 31, 2015 as compared to the same period in 2014. The changes in total other income were primarily driven by:

- A decrease in realized gain on investment securities and related hedges of \$0.9 million and an increase in net unrealized loss on investment securities and related hedges of \$4.0 million for the three months ended March 31, 2015 as compared to the same period in 2014, which were primarily related to our Agency IO portfolio. The Agency IO portfolio is an actively managed strategy resulting in both unrealized and realized activity. The Agency IO strategy is a net interest margin-focused strategy in which we expect the unrealized and realized gains and losses to offset each other and result in no material income or loss over time. During the first quarter of 2015, the pricing of our Agency IO portfolio was negatively impacted by the significant spread widening due to an unexpected mortgage policy announcement from the Federal Housing Administration and increased interest rate volatility.
- An increase in gain on de-consolidation of \$1.5 million due to the sale of a first loss PO security issued by a single Freddie Mac-sponsored securitization included in the Consolidated K-Series .

- An increase in net unrealized gains on multi-family loans and debt held in securitization trusts of \$8.7 million for the three months ended March 31, 2015, as compared to the same period in 2014 which is primarily due to improved pricing on our multi-family CMBS investments that has been driven, in part, by increased market demand for this product.
- A decrease in realized gains on distressed residential mortgage loans of \$7.5 million for the three months ended March 31, 2015, as compared to the same period in 2014, due to lower refinancing and sale activity in the 2015 period. For the three months ended March 31, 2014, the Company generated \$8.2 million of realized gains, with the majority of the realized income from loan resales. Income generated from the distressed residential loan workouts and resales was lower in the first quarter of 2015 as compared to the same period in 2014 and fourth quarter of 2014 primarily due to transaction timing. The Company's goal when disposing of distressed residential loans is to consummate sales at the most favorable price that management believes it can obtain, which frequently results in selling to buyers with lengthier diligence requirements. As such, income generation from the workout or resale of these loans is expected to be uneven from quarter to quarter.
- An increase in other income of \$1.8 million for the three months ended March 31, 2015, as compared to the same period in 2014, which is primarily due to the following two factors: 1) an increase in income from our 67% outstanding common and preferred equity interest in RB Multifamily Investors LLC, an entity that invests in commercial real estate-related debt investments and is managed by RiverBanc, and 2) an increase in income related to our 20% membership interest in RiverBanc.

Comparative Expenses (dollar amounts in thousands)

Expenses	For the Three Months Ended March 31 ,		
	201 5	201 4	\$ Change
Salaries, benefits and directors' compensation	\$ 1,082	\$ 1,050	\$ 32
Base management and incentive fees	6,870	3,778	3,092
Expenses on distressed residential mortgage loans	1,884	1,212	672
Other	1,010	1,519	(509)
Total	<u>\$ 10,846</u>	<u>\$ 7,559</u>	<u>\$ 3,287</u>

The increase in base management and incentive fees for the three months ended March 31, 2015, as compared to the same period in 2014, was driven by (i) the increase in assets managed by our external managers, and (ii) the \$3.2 million incentive fee earned by RiverBanc from the sale of the multi-family CMBS security included in the Consolidated K-Series in the first quarter of 2015, resulting in a total realized gain of \$10.9 million, including \$9.4 million previously recognized in prior year earnings as unrealized gain on multi-family loans and debt held in securitization trusts and \$1.5 million during the period as gain on de-consolidation. The increase in incentive fee earned by RiverBanc was partially offset by a decrease in incentive fee earned by Headlands due to lower loan sale activity during the period as compared to the prior period and a decrease in incentive fee earned by Midway due to losses incurred by the Agency IO portfolio during the period as compared to the same period in the prior year.

The \$0.7 million increase in expenses related to distressed residential mortgage loans as compared to the same period in 2014 is due to a higher average balance of loans outstanding, thereby resulting in higher servicing costs, work-out costs and due diligence costs.

Income Tax Expense

The decrease in income tax expense for the three months ended March 31, 2015, as compared to the same period in 2014, was primarily due to lower loan sale activity in our distressed residential loan portfolio. The realized gain on sale from loan activity is transacted in a taxable REIT subsidiary for REIT compliance purposes and accordingly is subject to local, state and federal taxes.

Quarterly Comparative Net Interest Spread

Our results of operations for our investment portfolio during a given period typically reflect the net interest income earned on our investment portfolio of RMBS, CMBS (including CMBS held in securitization trusts), residential securitized loans, distressed residential loans including, distressed residential loans held in securitization trusts, loans held for investment, mezzanine loans and preferred equity investments accounted for as loans, loans held for sale and CLOs (collectively, our “Interest Earning Assets”). The net interest spread is impacted by factors such as our cost of financing, the interest rate that our investments bear and our interest rate 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. Realized and unrealized gains and losses on TBAs, Eurodollar and Treasury futures and other derivatives associated with our Agency IO investments, which do not utilize hedge accounting for financial reporting purposes, are included in other income (expense) in our statement of operations, and therefore, not reflected in the data set forth below.

The following table sets forth certain information about our portfolio by investment type and their related interest income, interest expense, weighted average yield, average cost of funds and net interest spread for the three months ended March 31, 2015 and 2014 (dollar amounts in thousands):

For the Quarter Ended March 31, 2015

	Agency RMBS	Agency IOs	Multi- Family ⁽¹⁾ ⁽²⁾	Distressed Residential Loans	Residential Securitized Loans	Other	Total
Interest Income	\$ 3,315	\$ 3,566	\$ 7,821	\$ 10,554	\$ 871	\$ 2,763	\$ 28,890
Interest Expense	(1,220)	(198)	(1,486)	(3,687)	(239)	—	(6,830)
Interest Expense on Subordinated Debentures	—	—	—	—	—	(459)	(459)
Net Interest Income	<u>\$ 2,095</u>	<u>\$ 3,368</u>	<u>\$ 6,335</u>	<u>\$ 6,867</u>	<u>\$ 632</u>	<u>\$ 2,304</u>	<u>\$ 21,601</u>
Average Interest Earning Assets ⁽³⁾	\$ 659,488	\$ 131,589	\$ 265,221	\$ 576,214	\$ 152,013	\$ 30,250	\$ 1,814,775
Weighted Average Yield on Interest Earning Assets ⁽⁴⁾	2.01%	10.84%	11.80%	7.33%	2.29%	36.54%	6.37%
Average Cost of Funds ⁽⁵⁾	0.85%	1.23%	7.15%	4.03%	0.67%	—	2.22%
Weighted Average Cost of subordinated debentures	—	—	—	—	—	4.08%	4.08%
Net Interest Spread ⁽⁶⁾	<u>1.16%</u>	<u>9.61%</u>	<u>4.65%</u>	<u>3.30%</u>	<u>1.62%</u>	<u>36.54%</u>	<u>4.15%</u>

For the Quarter Ended March 31, 2014

	Agency RMBS	Agency IOs	Multi- Family ⁽¹⁾ (2)	Distressed Residential Loans	Residential Securitized Loans	Other	Total
Interest Income	\$ 4,028	\$ 5,933	\$ 9,210	\$ 4,352	\$ 978	\$ 1,990	\$ 26,491
Interest Expense	(1,210)	(223)	(2,425)	(2,077)	(235)	(37)	(6,207)
Interest Expense on Subordinated Debentures	—	—	—	—	—	(459)	(459)
Net Interest Income	<u>\$ 2,818</u>	<u>\$ 5,710</u>	<u>\$ 6,785</u>	<u>\$ 2,275</u>	<u>\$ 743</u>	<u>\$ 1,494</u>	<u>\$ 19,825</u>
Average Interest Earning Assets ⁽³⁾	\$ 764,200	\$ 146,880	\$ 300,310	\$ 231,910	\$ 166,920	\$ 22,020	\$ 1,632,240
Weighted Average Yield on Interest Earning Assets ⁽⁴⁾	2.11%	16.16%	12.27%	7.51%	2.34%	36.15%	6.49%
Average Cost of Funds ⁽⁵⁾	0.72%	0.94%	7.23%	4.79%	0.60%	—	2.01%
Weighted Average Cost of subordinated debentures	—	—	—	—	—	4.08%	4.08%
Net Interest Spread ⁽⁶⁾	<u>1.39%</u>	<u>15.22%</u>	<u>5.04%</u>	<u>2.72%</u>	<u>1.74%</u>	<u>36.15%</u>	<u>4.48%</u>

- (1) The Company determined it is the primary beneficiary of certain Freddie Mac-sponsored K-Series securitizations (the “Consolidated K-Series,” as defined below) and has consolidated the Consolidated K-Series into the Company’s financial statements. Average Interest Earning Assets for the quarter excludes all Consolidated K-Series assets other than those securities issued by the securitizations comprising the Consolidated K-Series that are actually owned by us and interest income amounts represent interest income earned by securities that are actually owned by us. A reconciliation of our interest income in multi-family investments to our condensed consolidated financial statements for the three months ended March 31, 2015 and 2014 is set forth below (dollar amounts in thousands):

	March 31, 2015	March 31, 2014
Interest income, multi-family loans held in securitization trusts	\$ 66,300	\$ 74,944
Interest income, investment securities, available for sale ^(Note 1)	827	2,417
Interest expense, multi-family collateralized obligations	(60,095)	(68,747)
Interest income, multi-family CMBS	7,032	8,614
Interest income, mezzanine loan and preferred equity investments ^(Note 1)	789	596
Interest income in Multi-Family	<u>\$ 7,821</u>	<u>\$ 9,210</u>

(Note 1) Included in the Company’s accompanying condensed consolidated statements of operations in interest income, investment securities and other.

- (2) Average Interest Earning Assets for the quarter excludes all Consolidated K-Series assets other than those securities issued by the securitizations comprising the Consolidated K-Series that are actually owned by us.
- (3) Our Average Interest Earning Assets is calculated each quarter based on daily average amortized cost .
- (4) Our Weighted Average Yield on Interest Earning Assets was calculated by dividing our annualized interest income for the quarter by our average Interest Earning Assets for the quarter.
- (5) Our Average Cost of Funds was calculated by dividing our annualized interest expense by our average interest bearing liabilities, excluding subordinated debentures for the quarter. Our Average Cost of funds includes interest expense on our interest rate swaps.
- (6) Net Interest Spread is the difference between our Weighted Average Yield on Interest Earning Assets and our Average Cost of Funds, excluding the Weighted Average Cost of subordinated debentures.

Prepayment Experience

The following table sets forth the actual constant prepayment rates (“CPR”) for selected asset classes, by quarter, for the quarterly periods indicated:

Quarter Ended	Agency ARMs	Agency Fixed Rate	Agency IOs	Non- Agency RMBS	Residential Securitizations	Weighted Average for Overall Portfolio
March 31, 2015	9.1%	6.5%	14.7%	15.5%	12.6%	11.4%
December 31, 2014	12.3%	6.5%	14.6%	13.7%	5.4%	11.1%
September 30, 2014	20.5%	9.2%	15.2%	18.7%	5.4%	13.1%
June 30, 2014	9.9%	6.7%	12.7%	10.5%	7.0%	10.1%
March 31, 2014	8.8%	5.2%	11.3%	9.7%	7.5%	8.8%
December 31, 2013	6.7%	5.3%	13.5%	16.8%	12.6%	10.0%
September 30, 2013	16.8%	8.5%	20.4%	23.6%	12.0%	15.3%
June 30, 2013	22.2%	6.4%	21.9%	18.3%	6.5%	15.4%

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. In addition, the market values and cash flows from our Agency IOs can be adversely affected during periods of elevated prepayments, such as we experienced in January 2015. We experienced a decline of \$4.6 million in net interest income during the quarter ended March 31, 2015 primarily as a result of higher than expected prepayment rates during the quarter. We monitor our prepayment experience on a monthly basis and adjust the amortization rate to reflect current market conditions.

Financial Condition

As of March 31, 2015, we had approximately \$9.6 billion of total assets, as compared to approximately \$10.5 billion of total assets as of December 31, 2014. The decrease in total assets is primarily a result of our de-consolidation of \$1.1 billion in Multi-Family loans held in a securitization trust due to the sale of a first loss PO security in one of the Company’s Consolidated K-Series. A significant portion of our assets represents the assets comprising the Consolidated K-Series, which we consolidate under the accounting rules. As of March 31, 2015 and December 31, 2014, the Consolidated K-Series assets amount to approximately \$7.4 billion and \$8.4 billion, respectively. See "Significant Estimates and Critical Accounting Policies - Loan Consolidation Reporting Requirement for Certain Multi-Family K-Series Securitizations.

Balance Sheet Analysis

Investment Securities Available for Sale . At March 31, 2015, our securities portfolio includes Agency RMBS, including Agency fixed-rate and ARM pass-through certificates, Agency IOs, non-Agency RMBS, U.S. Treasury securities and CLOs, which are classified as investment securities available for sale. At March 31, 2015, we had no investment securities in a single issuer or entity that had an aggregate book value in excess of 10% of our total assets. The decrease in carrying value of investment securities available for sale as of March 31, 2015 as compared to December 31, 2014 is primarily a result of principal paydowns, as well as changes in market value.

The following tables set forth the balances of our investment securities available for sale by vintage (i.e., by issue year) as of March 31, 2015 and December 31, 2014, respectively (dollar amounts in thousands):

	March 31, 2015		December 31, 2014	
	Par Value	Carrying Value	Par Value	Carrying Value
Agency RMBS				
ARMs				
Prior to 2011	\$ 18,174	\$ 19,302	\$ 19,129	\$ 20,329
2011	18,409	19,528	19,408	20,381
2012	131,898	138,216	135,885	140,983
Total ARMs	168,481	177,046	174,422	181,693
Fixed				
2011	1,831	1,919	1,899	1,973
2012	443,383	464,220	458,871	476,708
Total Fixed	445,214	466,139	460,770	478,681
IO				
Prior to 2011	189,357	26,786	202,962	28,312
2011	125,414	19,418	132,545	20,858
2012	264,970	42,808	278,332	46,262
2013	121,039	20,854	125,176	21,822
2014	16,039	1,510	16,577	1,877
Total IOs	716,819	111,376	755,592	119,131
Total Agency RMBS	1,330,514	754,561	1,390,784	779,505
U.S. Treasury securities				
2015	10,000	9,993	—	—
Non Agency RMBS				
2006	2,403	1,847	2,533	1,939
CLOs				
2007	35,550	35,143	35,550	35,203
Total	\$ 1,378,467	\$ 801,544	\$ 1,428,867	\$ 816,647

Investment Securities Available for Sale Held in Securitization Trusts . At March 31, 2015, our securities portfolio includes multi-family CMBS classified as investment securities available for sale held in securitization trusts, which are multi-family CMBS transferred to Consolidated VIEs that have been securitized into beneficial interests. The following table sets forth the balances of our investment securities available for sale held in securitization trusts by vintage (i.e., by issue year) as of March 31, 2015 and December 31, 2014 (dollar amounts in thousands):

	March 31, 2015		December 31, 2014	
	Par Value	Carrying Value	Par Value	Carrying Value
CMBS:				
2011	\$ 883,123	\$ 39,251	\$ 886,117	\$ 38,594
Total	<u>\$ 883,123</u>	<u>\$ 39,251</u>	<u>\$ 886,117</u>	<u>\$ 38,594</u>

Residential Mortgage Loans Held in Securitization Trusts (net) . Included in our portfolio are prime ARM loans that we originated or purchased in bulk from third parties that met our investment criteria and portfolio requirements and that we subsequently securitized in 2005.

At March 31, 2015, residential mortgage loans held in securitization trusts totaled approximately \$142.7 million. The Company's net investment in the residential securitization trusts was \$5.3 million at March 31, 2015, which is the maximum amount of the Company's investment that is at risk to loss and represents the difference between the carrying amount of (i) the ARM loans and real estate owned held in residential securitization trusts and (ii) the amount of Residential CDOs outstanding. Of the residential mortgage loans held in securitized trusts, 100% are traditional ARMs or hybrid ARMs, 83.3% of which are ARM loans that are interest only. With respect to the hybrid ARMs included in these securitizations, interest rate reset periods were predominately five years or less and the interest-only period is typically 9 years, which mitigates the "payment shock" at the time of interest rate reset. None of the residential mortgage loans held in securitization trusts are pay option-ARMs or ARMs with negative amortization.

The following table details our residential mortgage loans held in securitization trusts at March 31, 2015 and December 31, 2014, respectively (dollar amounts in thousands):

	Number of Loans	Unpaid Principal	Carrying Value
March 31, 2015	380	\$ 145,695	\$ 142,677
December 31, 2014	395	\$ 152,277	\$ 149,614

Characteristics of Our Residential Mortgage Loans Held in Securitization Trusts:

The following table sets forth the composition of our residential mortgage loans held in securitization trusts as of March 31, 2015 and December 31, 2014, respectively (dollar amounts in thousands):

	March 31, 2015			December 31, 2014		
	Average	High	Low	Average	High	Low
General Loan Characteristics:						
Original Loan Balance	\$ 437	2,950	48	\$ 441	2,950	48
Current Coupon Rate	2.74%	7.25%	1.25%	2.75%	7.25%	1.25%
Gross Margin	2.38%	4.13%	1.13%	2.38%	4.13%	1.13%
Lifetime Cap	11.34%	13.25%	9.38%	11.34%	13.25%	9.38%
Original Term (Months)	360	360	360	360	360	360
Remaining Term (Months)	242	249	208	245	252	211
Average Months to Reset	6	11	1	5	11	1
Original FICO Score	725	818	593	726	818	593
Original LTV	70.30%	95.00%	13.94%	70.38%	95.00%	13.94%

The following tables detail the activity for the residential mortgage loans held in securitization trusts (net) for the three months ended March 31, 2015 and 2014, respectively (dollar amounts in thousands):

	Principal	Premium	Allowance for Loan Losses	Net Carrying Value
Balance, January 1, 2015	\$ 152,277	\$ 968	\$ (3,631)	\$ 149,614
Principal repayments	(6,775)	—	—	(6,775)
Provision for loan loss	—	—	(310)	(310)
Transfer to real estate owned	193	—	(1)	192
Charge-Offs	—	—	—	—
Amortization of premium	—	(44)	—	(44)
Balance, March 31, 2015	\$ 145,695	\$ 924	\$ (3,942)	\$ 142,677

	Principal	Premium	Allowance for Loan Losses	Net Carrying Value
Balance, January 1, 2014	\$ 165,173	\$ 1,053	\$ (2,989)	\$ 163,237
Principal repayments	(4,365)	—	—	(4,365)
Provision for loan loss	—	—	(16)	(16)
Transfer to real estate owned	(212)	—	157	(55)
Charge-Offs	741	—	—	741
Amortization of premium	—	(30)	—	(30)
Balance, March 31, 2014	\$ 161,337	\$ 1,023	\$ (2,848)	\$ 159,512

Acquired Distressed Residential Mortgage Loans . Distressed residential mortgage loans held in securitization trusts and distressed residential mortgage loans are comprised of pools of fixed and adjustable rate residential mortgage loans acquired by the Company at a discount to par value (that is due, in part, to the credit quality of the borrower). Distressed residential mortgage loans held in securitization trusts are distressed residential mortgage loans transferred to Consolidated VIEs that have been securitized into beneficial interests.

At March 31, 2015 and December 31, 2014, distressed residential mortgage loans had a carrying value of \$569.0 million and \$582.7 million, respectively.

The Company's distressed residential mortgage loans held in securitization trusts with a carrying value of approximately \$213.3 million and \$221.6 million at March 31, 2015 and December 31, 2014, respectively, are pledged as collateral for certain of the securitized debt issued by the Company. The Company's net investment in the securitization trusts, which is the maximum amount of the Company's investment that is at risk to loss and represents the difference between the carrying amount of the net assets and liabilities associated with the distressed residential mortgage loans held in securitization trusts, was \$111.7 million and \$110.3 million at March 31, 2015 and December 31, 2014, respectively.

In addition, distressed residential mortgage loans with a carrying value of approximately \$324.0 million and \$327.4 million at March 31, 2015 and December 31, 2014, respectively, are pledged as collateral for a master repurchase agreement, with Deutsche Bank AG, Cayman Islands Branch.

The following table details our portfolio of distressed residential mortgage loans, including those distressed residential mortgage loans held in securitization trusts, at March 31, 2015 and December 31, 2014, respectively (dollar amounts in thousands):

	Number of Loans	Unpaid principal	Carrying Value
March 31, 2015	6,213	\$ 667,389	\$ 568,979
December 31, 2014	6,291	\$ 684,508	\$ 582,698

Characteristics of Our Distressed Residential Mortgage Loans, including Distressed Residential Mortgage Loans Held in Securitization Trusts :

	March 31, 2015	December 31, 2014
Loan to Value at Purchase		
50.00% or less	3.5%	3.6%
50.01% - 60.00%	3.6%	3.7%
60.01% - 70.00%	6.5%	6.6%
70.01% - 80.00%	9.1%	9.0%
80.01% - 90.00%	11.8%	11.9%
90.01% - 100.00%	12.5%	12.4%
100.01% and over	53.0%	52.8%
Total	100.0%	100.0%
FICO Scores at Purchase	March 31, 2015	December 31, 2014
550 or less	13.9%	13.8%
551 to 600	26.5%	26.3%
601 to 650	29.3%	29.0%
651 to 700	18.2%	18.4%
701 to 750	8.8%	8.9%
751 to 800	2.8%	3.0%
801 and over	0.5%	0.6%
Total	100.0%	100.0%
Current Coupon	March 31, 2015	December 31, 2014
3.00% or less	17.3%	17.1%
3.01% - 4.00%	7.1%	7.0%
4.01% - 5.00%	15.2%	15.2%
5.01% - 6.00%	12.7%	12.7%
6.01% and over	47.7%	48.0%
Total	100.0%	100.0%
Delinquency Status	March 31, 2015	December 31, 2014
Current	86.2%	88.2%
31 – 60 days	8.3%	5.5%
61 – 90 days	1.1%	2.3%
90+ days	4.4%	4.0%
Total	100.0%	100.0%
Origination Year	March 31, 2015	December 31, 2014
2005 or earlier	25.7%	25.6%
2006	19.9%	19.8%
2007	36.5%	36.5%
2008 or later	17.9%	18.1%
Total	100.0%	100.0%

Consolidated K-Series . As of March 31, 2015 and December 31, 2014, we owned 100% of the first loss securities of the Consolidated K-Series. The Consolidated K-Series are comprised of multi-family mortgage loans held in five and six Freddie Mac-sponsored multi-family K-Series securitizations as of March 31, 2015 and December 31, 2014, respectively, of which we, or one of our SPEs, own the first loss securities and certain IOs. We determined that the securitizations comprising the Consolidated K-Series were VIEs and that we are the primary beneficiary of these securitizations. Accordingly, we are required to consolidate the Consolidated K-Series' underlying multi-family loans and related debt, income and expense in our financial statements. We have elected the fair value option on the assets and liabilities held within the Consolidated K-Series, which requires that changes in valuations in the assets and liabilities of the Consolidated K-Series will be reflected in our consolidated statement of operations. As of March 31, 2015 and December 31, 2014, the Consolidated K-Series was comprised of \$7.4 billion and \$8.4 billion, respectively, in multi-family loans held in securitization trusts and \$7.1 billion and \$8.0 billion, respectively, in multi-family CDOs outstanding with a weighted average interest rate of 3.98%. As a result of the consolidation of the Consolidated K-Series, our condensed consolidated statements of operations for the three months ended March 31, 2015 included \$66.3 million in interest income and \$60.1 million in interest expense, respectively. Also, we recognized a \$13.6 million unrealized gain in the condensed consolidated statement of operations for the three months ended March 31, 2015 as a result of the fair value accounting method election. We do not have any claims to the assets (other than the security represented by our first loss piece) or obligations for the liabilities of the Consolidated K-Series. Our investment in the Consolidated K-Series is limited to the multi-family CMBS comprised of first loss tranche PO securities and or/certain IOs issued by these K-Series securitizations with an aggregate net carrying value of \$293.2 million and \$317.5 million as of March 31, 2015 and December 31, 2014, respectively.

In February 2015, the Company sold a first loss PO security in one of the Company's Consolidated K-Series obtaining total proceeds of approximately \$44.3 million and realizing a gain of approximately \$1.5 million. The sale resulted in a de-consolidation of \$1.1 billion in Multi-Family loans held in a securitization trust and \$1.0 billion in Multi-Family CDOs.

Multi-Family CMBS Loan Characteristics:

The following table details the loan characteristics of the loans that back the multi-family CMBS (including the Consolidated K-Series) in our portfolio as of March 31, 2015 and December 31, 2014, respectively (dollar amounts in thousands, except as noted):

	March 31, 2015	December 31, 2014
Current balance of loans	\$ 9,186,934	\$ 10,189,074
Number of loans	551	610
Weighted average original LTV	68.8%	68.8%
Weighted average underwritten debt service coverage ratio	1.49x	1.48x
Current average loan size	\$ 16,673	\$ 16,703
Weighted average original loan term (in months)	119	119
Weighted average current remaining term (in months)	83	82
Weighted average loan rate	4.40%	4.54%
First mortgages	100%	100%
Geographic state concentration (greater than 5.0%):		
California	13.7%	13.5%
Texas	12.6%	12.5%
New York	8.0%	7.7%
Maryland	5.2%	5.2%

Financing Arrangements, Portfolio Investments . As of March 31, 2015 and December 31, 2014, we had approximately \$619.7 million and \$652.0 million of repurchase agreement borrowings outstanding, respectively. As of March 31, 2015 and December 31, 2014, the current weighted average borrowing rate on these financing facilities was 0.44% and 0.43%, respectively.

As of March 31, 2015 and December 31, 2014, we had no counterparties where the amount at risk was in excess of 5% of stockholders' equity. The amount at risk is defined as the fair value of securities pledged as collateral to the repurchase agreement in excess of the repurchase agreement liability.

As of March 31, 2015 and December 31, 2014, the outstanding balance under our repurchase agreements was funded at an advance rate of 93.0% and 92.8% that implies an average haircut of 7.0% and 7.2%, respectively. The weighted average “haircut” related to our repurchase agreement financing for our Agency RMBS (excluding Agency IOs) and Agency IOs was approximately 5% and 25%, respectively.

The following table details the ending balance, quarterly average balance and maximum balance at any month-end during each quarter in 2015, 2014 and 2013 for repurchase agreement borrowings outstanding (dollar amounts in thousands):

Quarter Ended	Quarterly Average Balance	End of Quarter Balance	Maximum Balance at any Month-End
March 31, 2015	\$ 633,132	\$ 619,741	\$ 645,162
December 31, 2014	\$ 658,360	\$ 651,965	\$ 668,901
September 30, 2014	\$ 639,831	\$ 627,881	\$ 653,181
June 30, 2014	\$ 725,761	\$ 668,428	\$ 758,857
March 31, 2014	\$ 774,545	\$ 767,827	\$ 784,019
December 31, 2013	\$ 796,044	\$ 791,125	\$ 800,193
September 30, 2013	\$ 799,341	\$ 794,181	\$ 810,506
June 30, 2013	\$ 885,942	\$ 855,153	\$ 924,667
March 31, 2013	\$ 879,732	\$ 878,824	\$ 882,611

Financing Arrangements, Distressed Residential Mortgage Loans. On December 16, 2014, the Company entered into a master repurchase agreement, with Deutsche Bank AG, Cayman Islands Branch, to fund a portion of the purchase price of a pool of distressed residential mortgage loans comprised of re-performing loans. The outstanding balance on the master repurchase agreement, as of March 31, 2015 and December 31, 2014, amounts to approximately \$238.2 million and \$238.9 million, respectively, bore interest at one-month LIBOR plus 2.50% (2.67% and 2.66% at March 31, 2015 and December 31, 2014, respectively) and expires on December 17, 2015. Distressed residential mortgage loans with a carrying value of approximately \$324.0 million at March 31, 2015, are pledged as collateral for the borrowings under the master repurchase agreement.

Residential Collateralized Debt Obligations . As of March 31, 2015 and December 31, 2014, we had Residential CDOs of \$138.4 million and \$145.5 million, respectively. As of March 31, 2015 and December 31, 2014, the weighted average interest rate of these Residential CDOs was 0.55%. The Residential CDOs are collateralized by ARM loans with a principal balance of \$145.7 million and \$152.3 million at March 31, 2015 and December 31, 2014, respectively. The Company retained the owner trust certificates, or residual interest for three securitizations, and, as of March 31, 2015 and December 31, 2014, had a net investment in the residential securitization trusts of \$5.3 million and \$5.6 million, respectively.

Securitized Debt . As of March 31, 2015 and December 31, 2014 we had approximately \$200.3 million and \$232.9 million of securitized debt, respectively. The Company’s securitized debt is collateralized by multi-family CMBS and distressed residential mortgage loans. See Note 7 of our condensed consolidated financial statements included in this report for more information on securitized debt. The reduction in our securitized debt is due to paydown of principal during the period from the proceeds of the sale of distressed residential loans held in securitization trusts in December 2014.

Subordinated Debentures . As of March 31, 2015, certain of our wholly owned subsidiaries had trust preferred securities outstanding of \$45.0 million with a weighted average interest rate of 4.1%. The securities are fully guaranteed by us with respect to distributions and amounts payable upon liquidation, redemption or repayment. These securities are classified as subordinated debentures in the liability section of our condensed consolidated balance sheets.

Derivative Assets and Liabilities. We generally hedge the risks related to changes in interest rates related to our borrowings as well as market values of our overall portfolio.

In order to reduce our interest rate risk related to our borrowings, we may utilize various hedging instruments, such as interest rate swap agreement contracts whereby we receive floating rate payments in exchange for fixed rate payments, effectively converting our short term repurchase agreement borrowings or Residential CDOs to a fixed rate. At March 31, 2015, the Company had \$350.0 million of notional amount of interest rate swaps outstanding, designated as hedging instruments with a fair market liability value, net of \$0.1 million. At December 31, 2014, the Company had \$350.0 million of notional amount of interest rate swaps outstanding, designated as hedging instruments with a fair market asset value of \$1.1 million. The interest rate swaps qualify as cash flow hedges for financial reporting purposes.

In addition to utilizing interest rate swaps, we may purchase or sell short U.S. Treasury securities or enter into Eurodollar or other futures contracts or options on futures to help mitigate the potential impact of changes in interest rates on the performance of our Agency IOs. We may borrow securities to cover short sales of U.S. Treasury securities under reverse repurchase agreements. Realized and unrealized gains and losses associated with purchases and short sales of U.S. Treasury securities, Eurodollar or other futures and swaptions are recognized through earnings in the condensed consolidated statements of operations.

The Company uses To-Be-Announced securities, or TBAs, U.S. Treasury securities and U.S. Treasury futures and options to hedge interest rate risk, as well as spread risk associated with its investments in Agency IOs. For example, we may utilize TBAs to hedge the interest rate or yield spread risk inherent in our long Agency RMBS positions associated with our investments in Agency IOs by taking short positions in TBAs that are similar in character. In a TBA transaction, we would agree to purchase or sell, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered is not identified until shortly before the TBA settlement date. The Company typically does not take delivery of TBAs, but rather settles with its trading counterparties on a net basis. TBAs are liquid and have quoted market prices and represent the most actively traded class of RMBS. For TBA contracts that we have entered into, we have not asserted that physical settlement is probable. Because we have not designated these forward commitments associated with our Agency IOs as hedging instruments, realized and unrealized gains and losses associated with these TBAs, U.S. Treasury securities and U.S. Treasury futures and options are recognized through earnings in the condensed consolidated statements of operations.

The use of TBAs exposes the Company to market value risk, as the market value of the securities that the Company is required to purchase pursuant to a TBA transaction may decline below the agreed-upon purchase price. Conversely, the market value of the securities that the Company is required to sell pursuant to a TBA transaction may increase above the agreed upon sale price. The use of TBAs associated with our Agency IO investments creates significant short term payables (and/or receivables) on our balance sheet.

Derivative financial instruments may 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 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, but we cannot guarantee that we will not experience counterparty failures in the future.

In connection with our investment in Agency IOs, we utilize several types of derivative instruments to hedge the overall risk profile of these investments. This hedging technique is dynamic in nature and requires frequent adjustments, which accordingly makes it very difficult to qualify for hedge accounting treatment. Hedge accounting treatment requires specific identification of a risk or group of risks and then requires that we designate a particular trade to that risk with no minimal ability to adjust over the life of the transaction. Because we and Midway are frequently adjusting these derivative instruments in response to current market conditions, we have determined to account for all the derivative instruments related to our Agency IO investments as derivatives not designated as hedging instruments.

Balance Sheet Analysis - Stockholders' Equity

Stockholders' equity at March 31, 2015 was \$833.8 million and included \$11.9 million of accumulated other comprehensive income. The accumulated other comprehensive income consisted of \$6.5 million in unrealized gains primarily related to our CLOs, \$12.5 million in net unrealized gains related to our CMBS, partially offset by \$0.1 million in unrealized derivative losses related to cash flow hedges and \$7.0 million in unrealized losses related to our Agency RMBS and non-Agency RMBS. Stockholders' equity at December 31, 2014 was \$817.9 million and included \$10.0 million of accumulated other comprehensive income. The accumulated other comprehensive income consisted of \$9.1 million in unrealized gains primarily related to our CLOs, \$12.4 million in net unrealized gains related to our CMBS and \$1.1 million in unrealized derivative gains related to cash flow hedges, partially offset by \$12.6 million in unrealized losses related to our Agency RMBS and non-Agency RMBS.

Analysis of Changes in Book Value

The following table analyzes the changes in book value of our common stock for the three months ended March 31, 2015 (amounts in thousands, except per share):

	Three Months Ended March 31, 2015		
	Amount	Shares	Per Share ⁽¹⁾
Beginning Balance	\$ 742,927	105,095	\$ 7.07
Common stock issuance, net	21,013	2,857	
Balance after share issuance activity	763,940	107,952	7.08
Dividends declared	(29,147)		(0.27)
Net change AOCI: ⁽²⁾			
Hedges	(1,261)		(0.01)
RMBS	5,586		0.05
CMBS	68		—
CLOs	(2,517)		(0.02)
Net income attributable to common stockholders	22,090		0.20
Ending Balance	\$ 758,759	107,952	\$ 7.03

⁽¹⁾ Outstanding shares used to calculate book value per share for the ending balance is based on outstanding shares as of March 31, 2015 of 107,952,340.

⁽²⁾ Accumulated other comprehensive income ("AOCI").

Liquidity and Capital Resources

General

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain investments, comply with margin requirements, fund our operations, pay management, incentive and consulting fees, pay dividends to our stockholders and other general business needs. Our investments and assets, excluding the principal only multi-family CMBS we invest in, generate liquidity on an ongoing basis through principal and interest payments, prepayments, net earnings retained prior to payment of dividends and distributions from unconsolidated investments. Our principal only multi-family CMBS are backed by balloon non-recourse mortgage loans that provide for the payment of principal at maturity date, which is typically seven to ten years from the date the underlying mortgage loans are originated, and therefore do not directly contribute to monthly cash flows. In addition, the Company will, from time to time, sell on an opportunistic basis certain securities, primarily CMBS and distressed residential mortgage loans as part of its overall investment strategy and these sales will provide additional liquidity.

During the three months ended March 31, 2015, net cash increased by \$13.4 million, as a result of \$109.1 million provided by investing activities and \$6.0 million of cash provided by operating activities offset by \$101.7 million used in financing activities. Our investing activities primarily included \$44.3 million in proceeds from sale of loans held in multi-family securitization trusts, \$11.6 million in principal paydowns received on investment securities available for sale, \$19.8 million in principal repayments received on multi-family loans held in securitization trusts, \$6.8 million in principal repayments received on residential mortgage loans held in securitization trusts, \$36.6 million in principal repayments and proceeds from sales and refinancings of distressed residential mortgage loans, partially offset by \$12.7 million in the funding of mezzanine loans and preferred equity investments. Our financing activities primarily included net proceeds from common stock issuances of \$20.8 million, partially offset by \$32.9 million in payments of financing arrangements, \$19.8 million in payments made on multi-family CDOs, \$29.8 million in dividends paid on common stock and Series B Preferred Stock, \$7.2 million in payments made on Residential CDOs, and \$32.8 million in payments made on securitized debt.

We fund our investments and operations through a balanced and diverse funding mix, which includes proceeds from equity offerings, short-term and longer-term repurchase agreement borrowings, CDOs, securitized debt, and trust preferred debentures. We also expect in future periods to utilize secured advances from the FHLBI. The type and terms of financing used by us depends on the asset being financed. In those cases where we utilize some form of structured financing, be it through CDOs, longer-term repurchase agreements or securitized debt (including financings similar to our CMBS Master Repurchase Agreements), the cash flow produced by the assets that serve as collateral for these structured finance instruments may be restricted in terms of its use or applied to pay principal or interest on CDOs, repurchase agreements, or notes that are senior to our interests. At March 31, 2015, we had cash and cash equivalents balances of \$89.0 million, which increased from \$75.6 million at December 31, 2014. Based on our current investment portfolio, new investment initiatives, leverage ratio and available and future possible borrowing arrangements, we believe our existing cash balances, funds available under our various financing arrangements and cash flows from operations will meet our liquidity requirements for at least the next 12 months.

Liquidity – Financing Arrangements

We rely primarily on short-term repurchase agreements to finance the more liquid assets in our investment portfolio, such as Agency RMBS and CLOs. Recently, certain repurchase agreement lenders have elected to exit the repo lending market for various reasons, including new capital requirement regulations. However, as certain lenders have exited the space, other financing counterparties that had not participated in the repo lending market historically have begun to step in to replace many of the lenders that have elected to exit.

In light of the evolving repurchase agreement lending environment, we intend to replace a portion of our repurchase agreement borrowings with secured advances from the FHLBI, of which one of our subsidiaries is a member. Each advance from the FHLBI will require approval by the FHLBI and will be secured by collateral in accordance with the FHLBI's credit and collateral guidelines, as may be revised from time to time by the FHLBI. Eligible collateral may include conventional one-to-four family residential mortgage loans, CMBS, Agency RMBS and Non-Agency RMBS with an A rating and above. In connection with GLIH becoming a member of the FHLBI, the Company has agreed to guarantee the due and punctual payment of GLIH's obligations under its financing agreement with FHLBI. The Company began to receiving secured advances from the FHLBI beginning in April 2015.

As of March 31, 2015, we have outstanding short-term repurchase agreements, a form of collateralized short-term borrowing, with nine different financial institutions. These agreements are secured by certain of our investment securities and bear interest rates that have historically moved in close relationship to LIBOR. Our borrowings under repurchase agreements are based on the fair value of our investment securities portfolio. Interest rate changes and increased prepayment activity can have a negative impact on the valuation of these securities, reducing the amount we can borrow under these agreements. Moreover, our repurchase agreements allow the counterparties to determine a new market value of the collateral to reflect current market conditions and because these lines of financing are not committed, the counterparty can call the loan at any time. Market value of the collateral represents the price of such collateral obtained from generally recognized sources or most recent closing bid quotation from such source plus accrued income. If a counterparty determines that the value of the collateral has decreased, the counterparty may initiate a margin call and require us to either post additional collateral to cover such decrease or repay a portion of the outstanding borrowing in cash, on minimal notice. Moreover, in the event an existing counterparty elected to not renew the outstanding balance at its maturity into a new repurchase agreement, we would be required to repay the outstanding balance with cash or proceeds received from a new counterparty or to surrender the securities that serve as collateral for the outstanding balance, or any combination thereof. If we are unable to secure financing from a new counterparty and had to surrender the collateral, we would expect to incur a loss. In addition, in the event one of our lenders under the repurchase agreement defaults on its obligation to "re-sell" or return to us the securities that are securing the borrowings at the end of the term of the repurchase agreement, we would incur a loss on the transaction equal to the amount of "haircut" associated with the short-term repurchase agreement, which we sometimes refer to as the "amount at risk." As of March 31, 2015, we had an aggregate amount at risk under our repurchase agreements with nine counterparties of approximately \$63.5 million, with no more than approximately \$27.6 million at risk with any single counterparty.

At March 31, 2015, the Company had short-term repurchase agreement borrowings of \$619.7 million as compared to \$652.0 million as of December 31, 2014. In addition to our excess cash, the Company has \$192.6 million in unencumbered securities, including \$81.0 million of multi-family CMBS (which represents the net fair value of certain first loss tranche PO securities and/or certain IOs issued by certain K-Series securitizations included in the Consolidated K-Series), \$78.1 million of RMBS, of which \$76.2 million are Agency RMBS, \$35.1 million of CLOs and \$2.0 million of U.S. Treasury securities. The \$89.0 million of cash, the \$81.0 million in multi-family CMBS, the \$78.1 million in RMBS, \$35.1 million of CLOs, \$2.0 million of U.S. Treasury securities and \$39.6 million held in overnight deposits in our Agency IO portfolio included in restricted cash that is available to meet margin calls as it relates to our Agency IO portfolio repurchase agreements, which collectively represent 52.4% of our financing arrangements, portfolio investments, are liquid and could be monetized to pay down or collateralize the liability immediately.

At March 31, 2015, the Company also had a master repurchase agreement, with Deutsche Bank AG, Cayman Islands Branch, in an aggregate principal amount of up to \$260.0 million, expiring on December 17, 2015. The outstanding balance under the master repurchase agreement amounted to approximately \$238.2 million at March 31, 2015. This master repurchase agreement is collateralized by distressed residential mortgage loans with a carrying value of \$324.0 million at March 31, 2015.

At March 31, 2015, we also had other longer-term debt, including Residential CDOs outstanding of \$138.4 million, multi-family CDOs outstanding of \$7.1 billion (which represent obligations of the Consolidated K-Series), subordinated debt of \$45.0 million and securitized debt of \$200.3 million. The CDOs are collateralized by residential and multi-family loans held in securitization trusts, respectively. The securitized debt represents the notes issued in (i) our May 2012 multi-family re-securitization transaction, (ii) our November 2013 multi-family CMBS collateralized recourse financing transaction, and (iii) our December 2012, July 2013 and September 2013 distressed residential mortgage loan securitization transactions, which are described in Note 7 of our condensed consolidated financial statements.

As of March 31, 2015, our overall leverage ratio, including both our short- and longer-term financing, such as securitized debt and subordinated debt (and excluding the CDO's issued by the Consolidated K-Series and our Residential CDOs) divided by stockholders' equity, was approximately 1.4 to 1. As of March 31, 2015, our leverage ratio on our short term financings or callable debt was approximately 1.1 to 1. We monitor all at risk or short term borrowings to ensure that we have adequate liquidity to satisfy margin calls and have the ability to respond to other market disruptions.

Liquidity – Hedging and Other Factors

Certain of our hedging instruments may also impact our liquidity. We use interest rate swaps, swaptions, TBAs, Eurodollar or other futures contracts to hedge interest rate risk associated with our investments in Agency RMBS (including Agency IOs). With respect to interest rate swaps, futures contracts and TBAs, initial margin deposits will be made upon entering into these contracts and can be either cash or securities. During the period these contracts are open, changes in the value of the contract are recognized as unrealized gains or losses by marking to market on a daily basis to reflect the market value of these contracts at the end of each day's trading. We may be required to satisfy variable margin payments periodically, depending upon whether unrealized gains or losses are incurred.

We also use TBAs to hedge interest rate risk associated with our investments in Agency IOs. Since delivery for these securities extends beyond the typical settlement dates for most non-derivative investments, these transactions are more prone to market fluctuations between the trade date and the ultimate settlement date, and thereby are more vulnerable to increasing amounts at risk with the applicable counterparties. The use of TBAs associated with our Agency IO investments creates significant short term payables (and/or receivables), amounting to \$330.8 million at March 31, 2015, and is included in payable for securities purchased on our condensed consolidated balance sheet.

We also use U.S. Treasury securities, U.S. Treasury futures, swaps and swaptions and options to hedge interest rate risk associated with our investments in Agency IOs and interest rate swap agreements and swaptions as a mechanism to reduce the interest rate risk of our Agency ARMs and residential mortgage loans held in securitization trusts.

For additional information regarding the Company's derivative instruments and hedging activities for the periods covered by this report, including the fair values and notional amounts of these instruments and realized and unrealized gains and losses relating to these instruments, please see Note 8 to our condensed consolidated financial statements included in this report. Also, please see Item 3. Quantitative and Qualitative Disclosures about Market Risk, under the caption, "Fair Value Risk", for a tabular presentation of the sensitivity of the market value and net duration changes of the Company's portfolio across various changes in interest rates, which takes into account the Company's hedging activities.

Liquidity — Equity Offerings

In addition to the financing arrangements described above under the caption "Liquidity—Financing Arrangements," we also rely on secondary equity offerings as a source of both short-term and long-term liquidity. On April 22, 2015, the Company closed on an underwritten public offering of 3,600,000 shares of the Company's 7.875% Series C Cumulative Redeemable Preferred Stock, \$0.01 par value per share ("Series C Preferred Stock"). The issuance and sale of the 3,600,000 shares of Series C Preferred Stock resulted in total net proceeds to the Company of approximately \$87.0 million after deduction of underwriting discounts and commissions and estimated offering expenses. In addition, the Company granted the underwriters of the offering a 30-day option to purchase up to an additional 540,000 shares of Series C Preferred Stock on the same terms and conditions, which has not been exercised as of the date of this report. The Company expects to use the net proceeds of the offering to acquire certain of its targeted assets and various other types of mortgage-related and financial assets that it may target from time to time. The Company may also use net proceeds for general working capital purposes, including the repayment of indebtedness.

We also may generate liquidity through the sale of shares of our common stock in an “at the market” offering program pursuant to an equity distribution agreement, as well as through the sale of shares of our common stock pursuant to our Dividend Reinvestment Plan, or DRIP. On January 14, 2013, we filed a registration statement on Form S-3 to enable us to issue up to \$20,000,000 of shares of our common stock pursuant to our DRIP.

On March 20, 2015, the Company entered into separate equity distribution agreements (collectively, the “Equity Distribution Agreements”) with each of JMP Securities LLC (“JMP”) and MLV & Co. LLC (“MLV”), each an “Agent” and collectively, the “Agents”, pursuant to which the Company may sell up to \$75,000,000 of aggregate value of (i) shares of the Company’s common stock, par value \$0.01 per and (ii) shares of the Company’s Series B Preferred Stock, from time to time through the Agents. Pursuant to the Equity Distribution Agreements, the shares may be offered and sold through the Agents in transactions that are deemed to be “at the market” offerings as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made directly on The Nasdaq Global Select Market or sales made to or through a market maker other than on an exchange or, subject to the terms of a written notice from us, in privately negotiated transactions. We have no obligation to sell any of the shares under the Equity Distribution Agreements and may at any time suspend solicitations and offers under the Equity Distribution Agreements. During the three months ended March 31, 2015, the Company issued 1,375,682 shares under the Equity Distribution Agreements, at an average sales price of \$8.04, resulting in total net proceeds to the Company of \$10.8 million, after deducting the placement fees. As of March 31, 2015, approximately \$63.9 million remains available for issuance under the Equity Distribution Agreements.

On March 20, 2015, in connection with the Company’s execution of the Equity Distribution Agreements described above, the Company delivered to JMP a notice of termination of the Equity Distribution Agreement dated June 11, 2012 (the “Prior Equity Distribution Agreement”), which termination became effective March 23, 2015. The Prior Equity Distribution Agreement provided for the sale by the Company of common stock having a maximum aggregate value of up to \$25,000,000 from time to time through JMP, as the Company’s agent. During the three months ended March 31, 2015, the Company issued 1,326,676 shares under the Prior Equity Distribution Agreement, at an average sales price of \$7.89 resulting in total net proceeds to the Company of \$10.3 million, after deducting the placement fees. During the three months ended March 31, 2014, there were no shares issued under the Prior Equity Distribution Agreement. During the term of the Prior Equity Distribution Agreement, the Company sold a total of 2,153,989 shares of its common stock at an average price of \$7.63 per share pursuant to the Prior Distribution Agreement, resulting in net proceeds to the Company of approximately \$16.1 million

Management Agreements

We have investment management agreements with RiverBanc, Midway and Headlands, pursuant to which we pay these managers a base management and incentive fee, if earned, quarterly in arrears. See “- Results of Operations - Comparison of the Three Months Ended March 31, 2015 to Three Months Ended March 31, 2014 - Comparative Expenses” for more information regarding the base management and incentive fee incurred during the three months ended March 31, 2015.

Dividends

On March 18, 2015, we declared a Series B Preferred Stock cash dividend of \$0.484375 per share of Series B Preferred Stock for the quarterly period that began on January 15, 2015 and ended on April 14, 2015. This dividend was paid on April 15, 2015 to holders of record of Series B Preferred Stock as of April 1, 2015.

On March 18, 2015, we declared a 2015 first quarter cash dividend of \$0.27 per common share. The dividend was paid on April 27, 2015 to common stockholders of record as of March 30, 2015. The dividend was paid out of our working capital.

We expect to continue to pay quarterly cash dividends on our common stock during the near term. However, our Board of Directors will continue to evaluate our dividend policy each quarter and will make adjustments as necessary, based on a variety of factors, including, among other things, the need to maintain our REIT status, our financial condition, liquidity, earnings projections and business prospects. Our dividend policy does not constitute an obligation to pay dividends.

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

Exposure to European financial counterparties

We finance the acquisition of a significant portion of our mortgage-backed securities with repurchase agreements. In connection with these financing arrangements, we pledge our securities as collateral to secure the borrowings. The amount of collateral pledged will typically exceed the amount of the financing with the extent of over-collateralization from 5% of the amount borrowed (in the case of Agency ARM and Agency fixed rate RMBS collateral), 25% (in the case of Agency IOs) and up to 35% (in the case of CLO collateral).

While our repurchase agreement financing results in us recording a liability to the counterparty in our consolidated balance sheet, we are exposed to the counterparty, if during the term of the repurchase agreement financing, a lender should default on its obligation and we are not able to recover our pledged assets. The amount of this exposure is the difference between the amount loaned to us plus interest due to the counterparty and the fair value of the collateral pledged by us to the lender (including accrued interest receivable on such collateral).

Several large European banks have experienced financial difficulty in recent years, some of whom have required a rescue or assistance from other large European banks or the European Central Bank. Some of these banks have U.S. banking subsidiaries which have provided repurchase agreement financing or interest rate swap agreements to us in connection with the acquisition of various investments, including mortgage-backed securities investments. We have outstanding repurchase agreement borrowings with Deutsche Bank AG, Cayman Islands Branch, in the amount of \$238.2 million at March 31, 2015 with a net exposure of \$85.8 million. We have outstanding interest rate swap agreements with Credit Suisse International as a counterparty in the amount of \$245 million notional with a net exposure of \$0.4 million. In addition, certain of our U.S. based counterparties may have significant exposure to the financial and economic turmoil in Europe which could impact their future lending activities or cause them to default under agreements with us. In the event one or more of these counterparties or their affiliates experience liquidity difficulties in the future, our liquidity could be materially adversely affected.

Federal Home Loan Bank Membership

As a member of the FHLBI, the Company expects that GLIH will have access to a variety of products and services offered by the FHLBI, including secured advances. The Company's access to the advances from the FHLBI discussed above is dependent on a number of factors, including regulatory requirements of the Federal Housing Finance Agency ("FHFA") or the Federal Home Loan Bank. In September 2014, the FHFA issued a Notice of Proposed Rulemaking which asserts that the membership of any captive insurer that became a member of a Federal Home Loan Bank after the publication date of the Notice of Proposed Rulemaking and did not meet the eligibility requirements for membership set out in the proposed rule will have its Federal Home Loan Bank membership terminated and will be required to promptly liquidate any and all advances made to it by a Federal Home Loan Bank upon the date of adoption of any final rule that tracks the eligibility requirements of the proposed rule, as well as pay associated early termination fees and accrued interest.

GLIH does not meet the eligibility requirements set out in the proposed rule and does not expect to meet them if those requirements remain in any final rule. As a result, GLIH may be required to terminate its membership in the FHLBI and liquidate any and all advances made to it in the future if it fails to meet the eligibility requirements set out in any final rule issued by the FHFA. In the event GLIH is required to liquidate any advances from FHLBI, the Company would expect to replace those advances with borrowings from other financing sources, including repurchase agreements.

Inflation

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

Off-Balance Sheet Arrangements

We did not maintain any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Further, we have not guaranteed any obligations of unconsolidated entities nor do we have any commitment or intent to provide funding to any such entities.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

This section should be read in conjunction with "Item 1A. Risk Factors" in our Annual Report on Form 10-K, "Item 1A. Risk Factors" on page 74 and our subsequent periodic reports filed with the SEC.

We seek to manage risks that we believe will impact our business including, interest rates, liquidity, prepayments, credit quality and market value. When managing these risks we consider the impact on our assets, liabilities and derivative positions. While we do not seek to avoid risk completely, we believe the risk can be quantified from historical experience and seek to actively manage that risk, to generate risk-adjusted total returns that we believe compensate us appropriately for those risks and to maintain capital levels consistent with the risks we take.

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

Interest Rate Risk

Interest rates are sensitive to many factors, including governmental, monetary, tax policies, domestic and international economic conditions, and political or regulatory matters beyond our control. Changes in interest rates affect the value of the financial assets we manage and hold in our investment portfolio and the variable-rate borrowings we use to finance our portfolio. Changes in interest rates also affect the interest rate swaps and caps, Eurodollar and other futures, TBAs and other securities or instruments we use to hedge our portfolio. As a result, our net interest income is particularly affected by changes in interest rates.

For example, we hold RMBS, some of which may have fixed rates or interest rates that adjust on various dates that are not synchronized to the adjustment dates on our repurchase agreements. In general, the re-pricing of our repurchase agreements occurs more quickly than the re-pricing of our variable-interest rate assets. Thus, it is likely that our floating rate borrowings, such as our repurchase agreements, may react to interest rates before our RMBS because the weighted average next re-pricing dates on the related borrowings may have shorter time periods than that of the RMBS. In addition, the interest rates on our Agency ARMs backed by hybrid ARMs may be limited to a “periodic cap,” or an increase of typically 1% or 2% per adjustment period, while our borrowings do not have comparable limitations. Moreover, changes in interest rates can directly impact prepayment speeds, thereby affecting our net return on RMBS. During a declining interest rate environment, the prepayment of RMBS may accelerate (as borrowers may opt to refinance at a lower interest rate) causing the amount of liabilities that have been extended by the use of interest rate swaps to increase relative to the amount of RMBS, possibly resulting in a decline in our net return on RMBS, as replacement RMBS may have a lower yield than those being prepaid. Conversely, during an increasing interest rate environment, RMBS may prepay more slowly than expected, requiring us to finance a higher amount of RMBS than originally forecast and at a time when interest rates may be higher, resulting in a decline in our net return on RMBS. Accordingly, each of these scenarios can negatively impact our net interest income.

We seek to manage interest rate risk in our portfolio by utilizing interest rate swaps, swaptions, caps, Eurodollar and other futures, options and U.S. Treasury securities with the goal of optimizing the earnings potential while seeking to maintain long term stable portfolio values. We continually monitor the duration of our mortgage assets and have a policy to hedge the financing of those assets such that the net duration of the assets, our borrowed funds related to such assets, and related hedging instruments, is less than one year. In addition, we utilize TBAs to mitigate the risks on our long Agency RMBS positions associated with our investments in Agency IOs.

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

Based on the results of the model, the instantaneous changes in interest rates specified below would have had the following effect on net interest income for the next 12 months based on our assets and liabilities as of March 31, 2015 (dollar amounts in thousands):

Changes in Net Interest Income		
Changes in Interest Rates		Changes in Net Interest Income
+200	\$	7,219
+100	\$	6,647
-100	\$	(17,018)

Interest rate changes may also impact our net book value as our financial assets and related hedge derivatives are marked-to-market each quarter. Generally, as interest rates increase, the value of our mortgage assets, other than IOs, decreases, and conversely, as interest rates decrease, the value of such investments will increase. The value of an IO will likely be negatively affected in a declining interest rate environment due to the risk of increasing prepayment rates because the IOs' value is wholly contingent on the underlying mortgage loans having an outstanding balance. In general, we expect that, over time, decreases in the value of our portfolio attributable to interest rate changes will be offset, to the degree we are hedged, by increases in the value of our interest rate swaps or other financial instruments used for hedging purposes, and vice versa. However, the relationship between spreads on securities and spreads on our hedging instruments may vary from time to time, resulting in a net aggregate book value increase or decline. That said, unless there is a material impairment in value that would result in a payment not being received on a security or loan, changes in the book value of our portfolio will not directly affect our recurring earnings or our ability to make a distribution to our stockholders.

Liquidity Risk

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain investments, pay dividends to our stockholders and other general business needs. We recognize the need to have funds available to operate our business. It is our policy to have adequate liquidity at all times. We plan to meet liquidity through normal operations with the goal of avoiding unplanned sales of assets or emergency borrowing of funds.

Our principal sources of liquidity are the repurchase agreements on our mortgage-backed securities and a portion of our distressed residential loans, the CDOs we have issued to finance our loans held in securitization trusts, securitized debt, trust preferred securities, the principal and interest payments from our assets, cash proceeds from the issuance of equity or debt securities (as market and other conditions permit) and cash proceeds from sale of distressed residential loans. We believe our existing cash balances and cash flows from operations will be sufficient for our liquidity requirements for at least the next 12 months.

We are subject to "margin call" risk under the terms of our repurchase agreements. In the event the value of our assets pledged as collateral suddenly decreases, margin calls relating to our repurchase agreements could increase, causing an adverse change in our liquidity position. Additionally, if one or more of our repurchase agreement counterparties chooses not to provide ongoing funding, we may be unable to replace the financing through other lenders on favorable terms or at all. As such, we provide no assurance that we will be able to roll over our repurchase agreements as they mature from time to time in the future. See Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" in this Quarterly Report on Form 10-Q for further information about our liquidity and capital resource management .

Derivative financial instruments used to hedge interest rate risk are subject to "margin call" risk. For example, under our interest rate swaps, typically we pay a fixed rate to the counterparties while they pay us a floating rate. If interest rates drop below the fixed rate we are paying on an interest rate swap, we may be required to post cash margin.

Prepayment Risk

When borrowers repay the principal on their residential mortgage loans before maturity or faster than their scheduled amortization, the effect is to shorten the period over which interest is earned, and therefore, reduce the yield for residential mortgage assets purchased at a premium to their then current balance, as with our portfolio of Agency RMBS. Conversely, residential mortgage assets purchased for less than their then current balance, such as our distressed residential mortgage loans, exhibit higher yields due to faster prepayments. Furthermore, actual prepayment speeds may differ from our modeled prepayment speed projections impacting the effectiveness of any hedges we have in place to mitigate financing and/or fair value risk. Generally, when market interest rates decline, borrowers have a tendency to refinance their mortgages, thereby increasing prepayments. The impact of increasing prepayment rates, whether as a result of declining interest rates, government intervention in the mortgage markets or otherwise, is particularly acute with respect to our Agency IOs. Because the value of an IO security is wholly contingent on the underlying mortgage loans having an outstanding principal balance, an unexpected increase in prepayment rates on the pool of mortgage loans underlying the IOs could significantly negatively impact the performance of our Agency IOs.

Our modeled prepayments will help determine the amount of hedging we use to off-set changes in interest rates. If actual prepayment rates are higher than modeled, the yield will be less than modeled in cases where we paid a premium for the particular residential mortgage asset. Conversely, when we have paid a premium, if actual prepayment rates experienced are slower than modeled, we would amortize the premium over a longer time period, resulting in a higher yield to maturity.

In an environment of increasing prepayment speeds, the timing difference between the actual cash receipt of principal paydowns and the announcement of the principal paydown may result in additional margin requirements from our repurchase agreement counterparties.

We mitigate prepayment risk by constantly evaluating our residential mortgage assets relative to prepayment speeds observed for assets with similar structures, quantities and characteristics. Furthermore, we stress-test the portfolio as to prepayment speeds and interest rate risk in order to further develop or make modifications to our hedge balances. Historically, we have not hedged 100% of our liability costs due to prepayment risk.

Credit Risk

Credit risk is the risk that we will not fully collect the principal we have invested in our credit sensitive assets, including distressed residential and other mortgage loans, CMBS, and CLOs, due to borrower defaults. In selecting the credit sensitive assets in our portfolio, we seek to identify and invest in assets with characteristics that we believe offset or limit the exposure of borrower defaults to the Company.

We seek to manage credit risk through our pre-acquisition due diligence process, and by factoring projected credit losses into the purchase price we pay for all of our credit sensitive assets. In general, we evaluate relative valuation, supply and demand trends, prepayment rates, delinquency and default rates, vintage of collateral and macroeconomic factors as part of this process. Nevertheless, these procedures do not guarantee unanticipated credit losses which would materially affect our operating results.

With respect to the \$569.0 million of distressed residential loans the Company owned at March 31, 2015, the mortgage loans were purchased at a discount to par reflecting their distressed state or perceived higher risk of default, which may include higher loan to value ratios and, in certain instances, delinquent loan payments. Prior to the acquisition of distressed residential mortgage loans, the Company validates key information provided by the sellers that is necessary to determine the value of the distressed residential mortgage loans. We then seek to maximize the value of the mortgage loans that we acquire either through borrower assisted refinancing, outright loan sale or through foreclosure and resale of the underlying home. We evaluate credit quality on an ongoing basis by reviewing borrower's payment status and current financial and economic condition. Additionally, we look at the carrying value of any delinquent loan and compare to the current value of the underlying collateral.

As of March 31, 2015, we own \$299.2 million of first loss CMBS comprised solely of first loss POs that are backed by commercial mortgage loans on multi-family properties at a weighted average amortized purchase price of approximately 31.7% of current par. Prior to the acquisition of each of our first loss CMBS securities, the Company completed an extensive review of the underlying loan collateral, including loan level cash flow re-underwriting, site inspections on selected properties, property specific cash flow and loss modeling, review of appraisals, property condition and environmental reports, and other credit risk analyses. We continue to monitor credit quality on an ongoing basis using updated property level financial reports provided by borrowers and periodic site inspection of selected properties. We also reconcile on a monthly basis the actual bond distributions received against projected distributions to assure proper allocation of cash flow generated by the underlying loan pool. As of March 31, 2015, we own approximately \$35.1 million of notes issued by a CLO at a discounted purchase price equal to 80.4% of par. The securities are backed by a portfolio of corporate loans. We also own approximately \$39.6 million of first mortgage loan, mezzanine loan and equity investments at March 31, 2015, backed by residential and multi-family properties. We also have invested approximately \$47.5 million in equity and debt securities issued by an entity that invests in commercial real estate-related debt investments.

Fair Value Risk

Changes in interest rates also expose us to market value (fair value) fluctuation on our assets, liabilities and hedges. While the fair value of the majority of our assets (when excluding all Consolidated K-Series assets other than the securities we actually own) that are measured on a recurring basis are determined using Level 2 fair values, we own certain assets, such as our CMBS, for which fair values may not be readily available if there are no active trading markets for the instruments. In such cases, fair values would only be derived or estimated for these investments using various valuation techniques, such as computing the present value of estimated future cash flows using discount rates commensurate with the risks involved. However, the determination of estimated future cash flows is inherently subjective and imprecise. Minor changes in assumptions or estimation methodologies can have a material effect on these derived or estimated fair values. Our fair value estimates and assumptions are indicative of the interest rate environments as of March 31, 2015, and do not take into consideration the effects of subsequent interest rate fluctuations.

We note that the values of our investments in derivative instruments, primarily interest rate hedges on our debt, will be sensitive to changes in market interest rates, interest rate spreads, credit spreads and other market factors. The value of these investments can vary and has varied materially from period to period.

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

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

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

The table below presents the sensitivity of the market value and net duration changes of our portfolio as of March 31, 2015, using a discounted cash flow simulation model assuming an instantaneous interest rate shift. Application of this method results in an estimation of the fair market value change of our assets, liabilities and hedging instruments per 100 basis point ("bp") shift in interest rates.

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

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

Market Value Changes			
Changes in Interest Rates	Changes in Market Value		Net Duration
	(Amounts in thousands)		
+200	\$	(103,910)	3.31
+100	\$	(51,135)	2.81
Base			2.13
-100	\$	34,607	1.11

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

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

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures . We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosures. An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of March 31, 2015. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2015.

Changes in Internal Control Over Financial Reporting. There have been no changes in our internal control over financial reporting during the quarter ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

We previously disclosed risk factors under “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2014. In addition to those risk factors and the other information included elsewhere in this report, you should also carefully consider the risk factor discussed below. The risks described below and in our Annual Report on Form 10-K for the year ended December 31, 2014 are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we deem to be immaterial also may materially adversely affect our business, financial condition and/or results of operations.

Our wholly-owned subsidiary, GLIH, which became a member of the FHLBI on February 20, 2015, does not meet the eligibility requirements set out in the FHFA’s September 2014 Notice of Proposed Rulemaking and does not expect to meet them if those requirements remain in any final rule, in which case GLIH’s FHLBI membership would be terminated and GLIH would be required to promptly liquidate any and all advances made to it by the FHLBI. We may be unable to obtain sufficient financing on favorable terms or at all to repay or replace GLIH’s future outstanding advances from the FHLBI upon any such required liquidation, which could adversely affect our liquidity and/or cause us to sell our assets under adverse market conditions and possibly incur substantial losses.

On February 20, 2015, GLIH, a Michigan-domiciled and licensed insurance company, became a member of the FHLBI. The Federal Housing Finance Agency, or FHFA, in its Notice of Proposed Rulemaking, dated September 2, 2014, or the Proposing Release, asserts that the FHFA will require the immediate termination of the Federal Home Loan Bank membership of any captive insurance company member that (i) did not meet the eligibility requirements for membership set out in the proposed rule and (ii) was approved for membership during the period between the publication of the proposed rule and the effective date of the final rule. In addition to immediate termination of Federal Home Loan Bank membership, the Proposing Release asserts that the FHFA will also require the prompt liquidation of any and all outstanding advances to such captive insurer. The Proposing Release states that the FHFA will consider whether to make the termination of membership and the prompt liquidation of advances explicit in the final rule. GLIH does not meet the eligibility requirements set out in the proposed rules, and if the final rule contains the same eligibility requirements, GLIH does not expect to satisfy such requirements. Accordingly, there can be no assurance as to whether GLIH’s membership in the FHLB will continue past the adoption, if any, of a final rule, nor can there be any assurance as to when or if any final rule is adopted, what provisions the final rule may contain, or whether there would be any successful regulatory or judicial challenge which would alter the application of the FHFA’s assertions. If a final rule is adopted that requires us to promptly liquidate GLIH’s advances from the FHLBI as well as pay associated early termination fees and accrued interest, there can be no assurance that we will be able to obtain sufficient financing on favorable terms or at all to repay or replace our outstanding advances from the FHLBI upon any such liquidation, which could adversely affect our liquidity and/or force us to sell our assets under adverse market conditions and incur substantial losses. Additionally, if GLIH’s membership is terminated, we would be at a competitive disadvantage vis-à-vis our competitors with captive insurance company members of a Federal Home Loan Bank which became members prior to the publication of the Proposing Release and therefore have and will continue to have access to long-term funding with which to acquire their target assets.

Item 6. Exhibits

The information set forth under “Exhibit Index” below is incorporated herein by reference.

SIGNATURES

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

NEW YORK MORTGAGE TRUST, INC.

Date: May 7, 2015

By: /s/ Steven R. Mumma
Steven R. Mumma
Chief Executive Officer and President
(Principal Executive Officer)

Date: May 7, 2015

By: /s/ Kristine R. Nario
Kristine R. Nario
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit	Description
3.1(a)	Articles of Amendment and Restatement of New York Mortgage Trust, Inc., as amended (Incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 10, 2014).
3.2	Bylaws of New York Mortgage Trust, Inc., as amended (Incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 4, 2011).
3.3	Articles Supplementary designating the Company's 7.75% Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock") (Incorporated by reference to Exhibit 3.3 of the Company's Registration Statement on Form 8-A as filed with the Securities and Exchange Commission on May 31, 2013).
3.4	Articles Supplementary classifying and designating 2,550,000 additional shares of the Company's Series B Preferred Stock (Incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 20, 2015).
3.5	Articles Supplementary classifying and designating the 7.875% Series C Cumulative Redeemable Preferred Stock (the "Series C Preferred Stock") (Incorporated by reference to Exhibit 3.5 of the Company's Registration Statement on Form 8-A as filed with the Securities and Exchange Commission on April 21, 2015).
4.1	Form of Common Stock Certificate. (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-11 as filed with the Securities and Exchange Commission (Registration No. 333-111668), effective June 23, 2004).
4.2(a)	Junior Subordinated Indenture between The New York Mortgage Company, LLC and JPMorgan Chase Bank, National Association, as trustee, dated September 1, 2005. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on September 6, 2005).
4.2(b)	Parent Guarantee Agreement between New York Mortgage Trust, Inc. and JPMorgan Chase Bank, National Association, as guarantee trustee, dated September 1, 2005. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on September 6, 2005).
4.3(a)	Junior Subordinated Indenture between The New York Mortgage Company, LLC and JPMorgan Chase Bank, National Association, as trustee, dated March 15, 2005 (Incorporated by reference to Exhibit 4.3(a) to the Company's Quarterly Report on Form 10-Q as filed with the Securities and Exchange Commission on August 9, 2012).
4.3(b)	Parent Guarantee Agreement between New York Mortgage Trust, Inc. and JPMorgan Chase Bank, National Association, as guarantee trustee, dated March 15, 2005. (Incorporated by reference to Exhibit 4.3(b) to the Company's Quarterly Report on Form 10-Q as filed with the Securities and Exchange Commission on August 9, 2012).
4.3(d)	Parent Guarantee Agreement by New York Mortgage Trust, Inc. for the benefit of the Federal Home Loan Bank of Indianapolis, dated April 1, 2015.
	<i>Certain instruments defining the rights of holders of long-term debt securities of the Registrant and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Registrant hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.</i>
4.4	Form of Certificate representing the Series B Preferred Stock. (Incorporated by reference to Exhibit 3.4 of the Company's Registration Statement on Form 8-A as filed with the Securities and Exchange Commission on May 31, 2013).
4.5	Form of Certificate representing the Series C Preferred Stock. (Incorporated by reference to Exhibit 3.6 of the Company's Registration Statement on Form 8-A as filed with the Securities and Exchange Commission on April 21, 2015).

10.1	Advances, Pledge and Security Agreement, dated March 23, 2015, between Great Lakes Insurance Holdings LLC and the Federal Home Loan Bank of Indianapolis.
10.2	Equity Distribution Agreement, dated March 20, 2015, by and between the Company and JMP Securities LLC. (Incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 20, 2015).
10.3	Equity Distribution Agreement, dated March 20, 2015, by and between the Company and MLV & Co. LLC. (Incorporated by reference to Exhibit 1.2 to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 20, 2015).
10.4	Underwriting Agreement, dated as of April 15, 2015, by and among the Company, Morgan Stanley & Co. LLC, UBS Securities LLC and Keefe, Bruyette & Woods, Inc. (Incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on April 21, 2015).
12.1	Statement re: Computation of Ratios.
31.1	Section 302 Certification of Chief Executive Officer.
31.2	Section 302 Certification of Chief Financial Officer.
32.1	Section 906 Certification of Chief Executive Officer and Chief Financial Officer.*
101.INS	XBRL Instance Document **
101.SCH	Taxonomy Extension Schema Document **
101.CAL	Taxonomy Extension Calculation Linkbase Document **
101.DEF XBRL	Taxonomy Extension Definition Linkbase Document **
101.LAB	Taxonomy Extension Label Linkbase Document **
101.PRE	Taxonomy Extension Presentation Linkbase Document **

* Furnished herewith. Such certification shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

** Submitted electronically herewith. Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at March 31, 2015 and December 31, 2014; (ii) Condensed Consolidated Statements of Operations for the three months ended March 31, 2015 and 2014; (iii) Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2015 and 2014; (iv) Condensed Consolidated Statement of Changes in Stockholders' Equity for the three months ended March 31, 2015; (v) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014; and (vi) Notes to Condensed Consolidated Financial Statements.

GUARANTY

This **GUARANTY** is made and entered into by New York Mortgage Trust, Inc., a Maryland corporation, having an address at 275 Madison Avenue, Suite 3200, New York, New York 10016 (the "Guarantor"), for the benefit of the Federal Home Loan Bank of Indianapolis, whose address is 8250 Woodfield Crossing Boulevard, Indianapolis, Indiana 46240 (the "FHLBI") on this 1st day of April, 2015. This Guaranty is made with reference to the following facts (with some capitalized terms being defined below):

A. Great Lakes Insurance Holdings LLC, a Michigan captive insurance limited liability company ("Member"), and the FHLBI have entered into that certain Advances, Pledge and Security Agreement, dated March 23, 2015 (as modified by that certain Letter of Understanding dated the date hereof by and between the Member and FHLBI, the "Advances Agreement"), pursuant to which Advances Agreement Member may obtain Advances (as defined in the Advances Agreement) from FHLBI (the "Transactions");

B. The FHLBI has requested, as a condition to entering into any Transactions, that the Guarantor deliver to FHLBI this Guaranty;

C. Member is a wholly owned Subsidiary of Guarantor; and

D. Guarantor expects to benefit if FHLBI enters into Transactions with Member, and desires that FHLBI enter into the Advances Agreement with Member;

E. Guarantor acknowledges that Member is a member of the FHLBI, but that Guarantor does not meet the requirements of 12 U.S.C. § 1424 and as such is ineligible to be a member of the FHLBI; and

F. Guarantor acknowledges that, notwithstanding that Guarantor is ineligible to be a member of the FHLBI, the FHLBI would not engage in any Transactions under the Advances Agreement with Member unless Guarantor executed this Guaranty. This Guaranty is therefore delivered to FHLBI to induce FHLBI to enter into the Advances Agreement.

NOW, THEREFORE, in exchange for good, adequate, and valuable consideration, the receipt of which Guarantor acknowledges, and to induce FHLBI to enter into the Advances Agreement, Guarantor agrees as follows:

1. *Definitions.* For purposes of this Guaranty, the following terms shall be defined as set forth below. In addition, any capitalized term used herein which is defined in the Advances Agreement but not defined in this Guaranty shall have the meaning ascribed to such term in the Advances Agreement.

(a) "Collateral" has the meaning ascribed to it in the Advances Agreement.

(b) "DIFS" means the State of Michigan Department of Insurance and Financial Services.

(c) “Guaranteed Obligations” means: (a) “Obligations” as defined in the Advances Agreement to fully and promptly pay all sums owed to FHLBI under the Transactions as and when due in accordance with the Transactions and the Advances Agreement; and (b) all other sums expended by the FHLBI or FHLBI’s designee or nominee acting on FHLBI’s behalf in exercising FHLBI’s rights and remedies pursuant to this Guaranty, including FHLBI’s Legal Costs relating to the enforcement of remedies pursuant to this Guaranty.

(d) “Guarantor Litigation” means any litigation, arbitration, investigation, or administrative proceeding of or before any court, arbitrator, or governmental authority, bureau or agency that relates to or affects this Guaranty or any asset(s) or property(ies) of Guarantor.

(e) “Insolvency Proceeding” means any rehabilitation, liquidation, or other action by DIFS under Michigan Compiled Laws Title 500 Chapter 81 or any successor statute, any case under Title 11 of the United States Code or any successor statute or any other insolvency, rehabilitation, receivership, conservatorship, bankruptcy, reorganization, liquidation, or any like proceeding, or other statute or body of law relating to creditors’ rights, whether brought under state, federal, or foreign law.

(f) “Legal Costs” means all reasonable out-of-pocket costs and expenses incurred by FHLBI in any Proceeding or in obtaining legal advice and assistance in connection with any Proceeding, any Guarantor Litigation, or any default by Guarantor under this Guaranty (including any breach of a representation or warranty contained in this Guaranty), including attorneys’ fees, disbursements, and other charges incurred by FHLBI’s attorneys, court costs and expenses, and charges for the services of paralegals, law clerks, and all other personnel whose services are charged to FHLBI in connection with FHLBI’s receipt of legal services.

(g) “Lien” means any mortgage, lien, encumbrance, charge or other security interest, whether arising under contract, by operation of law, judicial process or otherwise.

(h) “Member” means: (a) Great Lakes Insurance Holdings LLC; (b) any estate created by the commencement of an Insolvency Proceeding affecting Great Lakes Insurance Holdings LLC; (c) any trustee, liquidator, conservator, rehabilitator, sequestrator, or receiver of Great Lakes Insurance Holdings LLC or any of its property; (d) any similar person duly appointed pursuant to any law governing any Insolvency Proceeding of or for Great Lakes Insurance Holdings LLC; and (e) any permitted successors and assigns of any of the foregoing.

(i) “Proceeding” means any action, administrative action, suit, arbitration, or other proceeding arising out of or relating to the interpretation or enforcement of, this Guaranty, including: (a) an Insolvency Proceeding involving Guarantor; (b) any proceeding in which FHLBI endeavors to enforce this Guaranty against Guarantor, whether or not FHLBI prevails; and (c) any proceeding commenced by Guarantor against FHLBI.

(j) "Requirement of Law" means any applicable provision of the FHLBI's Collateral Policy, the Federal Home Loan Bank Act of 1932, as amended, and all applicable local, state, and federal laws, regulations, orders, judgments, and self-regulatory organization requirements.

(k) "State" means the State of Indiana.

(l) "Subsidiary" means as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership, limited liability company or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person.

(m) "Transaction Document" means this Guaranty, the Advances Agreement, each Application for Advance, each Advice of Credit, each Funding Agreement, and each Other Credit Product Agreement, as any of the foregoing may be amended, supplemented, superseded, or restated from time to time.

2. *Absolute Guaranty of All Guaranteed Obligations.* Guarantor absolutely, unconditionally, and irrevocably guarantees Member's prompt and complete payment of all Guaranteed Obligations. Guarantor shall be liable for, and obligated to pay, all Guaranteed Obligations. All assets and property of Guarantor shall be subject to recourse if Guarantor fails to pay any Guaranteed Obligation(s) when and as required to be paid pursuant to the Transaction Documents, subject to any applicable senior liens, encumbrances, and security interests in such assets.

3. *Nature and Scope of Liability.* Guarantor's liability under this Guaranty is primary and not secondary. Guarantor's liability under this Guaranty shall be in the full amount of all Guaranteed Obligations.

4. *Changes in Transaction Documents.* Without notice to, or consent by, Guarantor, and in FHLBI's sole and absolute discretion and without prejudice to FHLBI or in any way limiting or reducing Guarantor's liability under this Guaranty, FHLBI may: (a) grant extensions of time, renewals or other indulgences or modifications to Member or any other party under any of the Transaction Document(s), (b) agree with Member to any change, amendment or modification of any Transaction Document(s), (c) authorize the sale, exchange, release or subordination of any Collateral, (d) accept or reject additional Collateral, (e) discharge or release any party or parties liable under the Transaction Documents, (f) foreclose or otherwise realize on any Collateral, or attempt to foreclose or otherwise realize on any Collateral, whether such attempt is successful or unsuccessful, (g) accept or make compositions or other arrangements or file or refrain from filing a claim in any Insolvency Proceeding, (h) enter into other Transactions with Member in such amount(s) and at such time(s) as FHLBI may determine, (i) credit payments in such manner and order of priority to repurchase price, pricing differential, or other obligations as FHLBI may determine in its discretion (in accordance with the Transaction Documents), and (j) otherwise deal with Member and any other party related to the Transactions

or any Collateral as FHLBI may determine in its sole and absolute discretion. Without limiting the generality of the foregoing, Guarantor's liability under this Guaranty shall continue even if FHLBI and Member alter any obligations under the Transaction Documents in any respect or FHLBI's or Guarantor's remedies or rights against Member are in any way impaired or suspended without Guarantor's consent. If FHLBI performs any of the actions described in this paragraph, then Guarantor's liability shall continue in full force and effect even if FHLBI's actions impair, diminish or eliminate Guarantor's subrogation, contribution, or reimbursement rights (if any) against Member, or otherwise adversely affect Guarantor or expand Guarantor's liability hereunder.

5. *Omitted*

6. *Nature of Guaranty.* Guarantor's liability under this Guaranty is a guaranty of payment of the Guaranteed Obligations, and is not a guaranty of collection or collectibility. Guarantor's liability under this Guaranty is not conditioned or contingent upon the genuineness, validity, regularity or enforceability of any of the Transaction Documents. Guarantor's liability under this Guaranty is a several, continuing, absolute, and unconditional obligation under any and all circumstances whatsoever (except as expressly stated, if at all, in this Guaranty), without regard to the validity, regularity or enforceability of any of the Guaranteed Obligations. Guarantor acknowledges that Guarantor is fully obligated under this Guaranty even if Member had no liability at the time of execution of the Transaction Documents or later ceases to be liable under any Transaction Document, whether pursuant to Insolvency Proceedings or otherwise. Guarantor shall not be entitled to claim, and irrevocably covenants not to raise or assert, any defenses against any Guaranteed Obligation that would or might be available to Member, other than actual payment and performance of such Guaranteed Obligations in full in accordance with their terms. Guarantor waives any right to compel FHLBI to proceed first against Member or any Collateral before proceeding against Guarantor. Guarantor agrees that if any of the Guaranteed Obligations are or become void or unenforceable (because of inadequate consideration, lack of capacity, Insolvency Proceedings, or for any other reason), then Guarantor's liability under this Guaranty shall continue in full force with respect to all Guaranteed Obligations as if they were and continued to be legally enforceable, all in accordance with their terms and, in the case of Insolvency Proceedings, before giving effect to the Insolvency Proceedings. Guarantor also recognizes and acknowledges that its liability under this Guaranty may be more extensive in amount and more burdensome than that of Member. Guarantor waives any defense that might otherwise be available to Guarantor based on the proposition that a guarantor's liability cannot exceed the liability of the principal. Guarantor intends to be fully liable under the Guaranteed Obligations regardless of the scope of Member's liability thereunder. Guarantor waives any defenses to this Guaranty arising or purportedly arising from the manner in which FHLBI disburses Advances proceeds to Member or otherwise, or any waiver of the terms of any Transaction Document by FHLBI or other failure of FHLBI to require full compliance with the Transaction Documents. Guarantor's liability under this Guaranty shall continue until all sums due under the Transaction Documents have been paid in full and all other performance required under the Transaction Documents has been rendered in full, except as expressly provided otherwise in this Guaranty. Guarantor's liability under this Guaranty shall not be limited or affected in any way by any impairment or any diminution or loss of value of any Collateral whether caused by (a) hazardous substances, (b) FHLBI's failure to

perfect a security interest in any Collateral, (c) any disability or other defense(s) of Member, or (d) any breach by Member of any representation or warranty contained in any Transaction Document.

7. *Waivers of Rights and Defenses.* Guarantor waives any right to require FHLBI to (a) proceed against Member, (b) proceed against or exhaust any Collateral, or (c) pursue any other right or remedy for Guarantor's benefit. Guarantor agrees that FHLBI may proceed against Guarantor with respect to the Guaranteed Obligations without taking any actions against Member and without proceeding against or exhausting any Collateral. Guarantor agrees that FHLBI may unqualifiedly exercise in its sole discretion (or may waive or release, intentionally or unintentionally) any or all rights and remedies available to it against Member without impairing FHLBI's rights and remedies in enforcing this Guaranty, under which Guarantor's liabilities shall remain independent and unconditional. Guarantor agrees and acknowledges that FHLBI's exercise (or waiver or release) of certain of such rights or remedies may affect or eliminate Guarantor's right of subrogation or recovery against Member (if any) and that Guarantor may incur a partially or totally nonreimbursable liability in performing under this Guaranty. Guarantor has assumed the risk of any such loss of subrogation rights, even if caused by FHLBI's acts or omissions. If FHLBI's enforcement of rights and remedies, or the manner thereof, limits or precludes Guarantor from exercising any right of subrogation that might otherwise exist, then the foregoing shall not in any way limit FHLBI's rights to enforce this Guaranty. Without limiting the generality of any other waivers in this Guaranty, Guarantor expressly waives any statutory or other right (except as set forth herein) that Guarantor might otherwise have to: (i) limit Guarantor's liability after a nonjudicial foreclosure sale to the difference between the Guaranteed Obligations and the fair market value of the property or interests sold at such nonjudicial foreclosure sale or to any other extent, (ii) otherwise limit FHLBI's right to recover a deficiency judgment after any foreclosure sale, or (iii) require FHLBI to exhaust its Collateral before FHLBI may obtain a personal judgment for any deficiency. Guarantor acknowledges and agrees that any nonrecourse or exculpation provided for in any Transaction Document, or any other provision of a Transaction Document limiting FHLBI's recourse to specific Collateral or limiting FHLBI's right to enforce a deficiency judgment against Member or any other person, shall have absolutely no application to Guarantor's liability under this Guaranty. To the extent that FHLBI collects or receives any sums or payments from Member or any proceeds of a foreclosure or similar sale, FHLBI shall have the right, but not the obligation, to apply such amounts first to that portion of Member's indebtedness and obligations to FHLBI (if any) that is not covered by this Guaranty, regardless of the manner in which any such payments and/or amounts are characterized by the person making the payment. No agreement or waiver hereunder shall permit FHLBI to recover in total from Member and Guarantor an amount greater than the total amount of Guaranteed Obligations.

8. *Additional Waivers.* Guarantor waives diligence and all demands, protests, presentments and notices of every kind or nature, including notices of protest, diligence, presentment, dishonor, nonpayment, acceptance of this Guaranty and the creation, renewal, extension, modification or accrual of any of the Guaranteed Obligations. Guarantor further waives the right to plead any and all statutes of limitations and statutes of repose as a defense to Guarantor's liability under this Guaranty or the enforcement of this Guaranty. No failure or

delay on FHLBI's part in exercising any power, right or privilege under this Guaranty shall impair or waive any such power, right or privilege.

9. *Other Actions Taken or Omitted.* Notwithstanding any other action taken or omitted to be taken with respect to the Guaranteed Obligations, or the security and collateral therefor, whether or not such action or omission prejudices Guarantor or increases the likelihood that Guarantor will be required to pay the Guaranteed Obligations pursuant to the terms hereof, it is the unambiguous and unequivocal intention of Guarantor that Guarantor shall be obligated to pay the Guaranteed Obligations when due, notwithstanding any occurrence, circumstance, event, action, or omission whatsoever, whether contemplated or un contemplated, and whether or not otherwise or particularly described herein, which obligation shall be deemed satisfied as to any Guaranteed Obligation only upon the full and final payment and satisfaction of such Guaranteed Obligations.

10. *No Duty to Prove Loss.* To the extent that Guarantor at any time incurs any liability under this Guaranty, Guarantor shall immediately pay FHLBI upon request (to be applied on account of the Guaranteed Obligations) the amount provided for in this Guaranty, without any requirement that FHLBI demonstrate that the Collateral is inadequate for the Transactions; or that FHLBI has currently suffered any loss; or that FHLBI has otherwise exercised (to any degree) or exhausted any of FHLBI's rights or remedies with respect to Member or any Collateral. Notwithstanding the foregoing, in connection with a claim for amounts due to FHLBI pursuant to clause (b) of the definition of Guaranteed Obligations, FHLBI shall furnish to Guarantor reasonable support for its calculation of such amount (which shall not in any case require the disclosure of any privileged communications or information, including as to Legal Costs).

11. *Full Knowledge.* Guarantor acknowledges, represents, and warrants that Guarantor has had a full and adequate opportunity to review the Transaction Documents, the transactions contemplated by the Transaction Documents, and all underlying facts relating to such transactions. Guarantor represents and warrants that Guarantor fully understands: (a) the remedies FHLBI may pursue against Member and/or Guarantor in the event of a default under the Transaction Documents, (b) the value (if any) and character of any Collateral, and (c) Member's financial condition and ability to perform under the Transaction Documents. Guarantor agrees to keep itself fully informed regarding all aspects of the foregoing and the performance of Member's obligations to FHLBI. FHLBI has no duty, whether now or in the future, to disclose to Guarantor any information pertaining to Member, the Transactions or any Collateral. At any time provided for in the Transaction Documents, Guarantor agrees and acknowledges that an Insolvency Proceeding affecting Member or Guarantor, or other actions or events relating to Guarantor (including a change in Guarantor's financial position), as set forth in the Transaction Documents, constitute event(s) of default under the Transaction Documents.

12. *Representations and Warranties.* Guarantor acknowledges, represents and warrants as follows, and acknowledges that FHLBI is relying upon the following acknowledgments, representations, and warranties by Guarantor in entering into the Transactions:

(a) *Due Execution; Enforceability.* The Guaranty has been duly executed and delivered by Guarantor, for good and valuable consideration. The Guaranty constitutes the legal, valid and binding obligations of Guarantor, enforceable against Guarantor in accordance with its respective terms subject to bankruptcy, insolvency, and other limitations on creditors' rights generally and to equitable principles.

(b) *No Conflict.* The execution, delivery, and performance of this Guaranty will not conflict with or result in a breach of any of the terms, conditions or provisions of (i) the organizational documents of Guarantor, (ii) any contractual obligation to which Guarantor is now a party or by which it is otherwise bound or to which the assets of Guarantor are subject or constitute a default thereunder, or result in the creation or imposition of any Lien upon any of the assets of Guarantor thereunder, other than pursuant to this Guaranty, (iii) any judgment or order, writ, injunction, decree or demand of any court applicable to Guarantor, or (iv) any applicable Requirement of Law; in each case, to the extent that such conflict or breach would have a material adverse effect upon Guarantor's ability to perform its obligations hereunder. Guarantor has all necessary licenses, permits and other consents required by all applicable local, state, and federal laws, orders, judgments, self-regulatory organization requirements, and regulations necessary for the performance of its obligations under this Guaranty.

(c) *Litigation; Requirements of Law.* There is no action, suit, proceeding, investigation, or arbitration pending or, to the best knowledge of Guarantor, threatened against Member, Guarantor or any of their respective assets, nor is there any action, suit, proceeding, investigation, or arbitration pending or threatened against Guarantor which may result in any material adverse change in the business, operations, financial condition, properties, or assets of Member or Guarantor, or which may have an adverse effect on the validity of the Guaranty or the Transaction Documents or the Collateral or any action taken or to be taken in connection with the obligations of Guarantor under the Guaranty or of Member under any of the Transaction Documents. Guarantor is in compliance in all material respects with all Requirements of Law applicable to Guarantor. Neither Member nor the Guarantor is in default in any material respect with respect to any judgment, order, writ, injunction, decree, rule or regulation of any arbitrator or governmental authority.

(d) *No Third Party Consent Required.* No consent of any person (including creditors or partners, members, stockholders, or other owners of Guarantor), except those consents provided as of this date hereof, is required in connection with Guarantor's execution of this Guaranty or performance of Guarantor's obligations under this Guaranty. Guarantor's execution of, and obligations under, this Guaranty are not contingent upon any consent, license, permit, approval, or authorization of, exemption by, notice or report to, or registration, filing, or declaration with, any governmental authority, bureau, or agency, whether local, state, federal, or foreign.

(e) *Authority and Execution.* Guarantor is duly formed and validly existing under the laws of the State of Maryland and has full power, authority, and legal right to execute, deliver and perform its obligations under this Guaranty. Guarantor has taken all necessary organizational and legal action to authorize this Guaranty.

(f) *No Representations by FHLBI.* Guarantor delivers this Guaranty based solely upon Guarantor's own independent investigation and based in no part upon any representation or statement by FHLBI.

13. *No Misstatements.* No information, exhibit, report or certificate furnished by Guarantor to FHLBI in connection with the Transactions or any Transaction Document contains any material misstatement of fact.

14. *Reimbursement and Subrogation Rights.* Except to the extent that FHLBI notifies Guarantor to the contrary in writing from time to time:

(a) *General Deferral of Reimbursement.* Guarantor waives any right to be reimbursed by Member for any payment(s) made by Guarantor on account of the Guaranteed Obligations, unless and until all Guaranteed Obligations have been paid in full and all periods within which such payments may be set aside or invalidated have expired. Guarantor acknowledges that Guarantor has received adequate consideration for execution of this Guaranty by virtue of FHLBI's entering into the Transactions (which benefit Guarantor, as an indirect owner or principal of Member) and Guarantor does not require or expect, and is not entitled to, any other right of reimbursement against Member as consideration for this Guaranty.

(b) *Deferral of Subrogation and Contribution.* Guarantor agrees it shall have no right of subrogation against Member or FHLBI and no right of subrogation against any Collateral, unless and until: (a) such right of subrogation does not violate (or otherwise produce any result adverse to FHLBI under) any applicable law, including any insurance, bankruptcy or insolvency law; (b) all amounts due under the Transaction Documents have been paid in full and all other performance required under the Transaction Documents has been rendered in full to FHLBI; (c) all periods within which such payment may be set aside or invalidated have expired; and (d) FHLBI has released, transferred or disposed of all of its right, title and interest in all Collateral (such deferral of Guarantor's subrogation and contribution rights, the "Subrogation Deferral").

(c) *Effect of Invalidation.* To the extent that a court of competent jurisdiction determines that Guarantor's Subrogation Deferral is void or voidable for any reason, Guarantor agrees, notwithstanding any acts or omissions by FHLBI that Guarantor's rights of subrogation against Member or FHLBI and Guarantor's right of subrogation against any Collateral shall at all times be junior and subordinate to FHLBI's rights against Member and to FHLBI's right, title and interest in such Collateral.

(d) *Claims in Insolvency Proceeding.* Guarantor shall not file any claim in any Insolvency Proceeding affecting Member unless Guarantor simultaneously assigns and transfers such claim to FHLBI, without consideration, pursuant to documentation fully satisfactory to FHLBI. Guarantor shall automatically be deemed to have assigned and transferred such claim to FHLBI whether or not Guarantor executes documentation to such effect, and by executing this Guaranty hereby authorizes FHLBI (and grants FHLBI a power of attorney coupled with an interest, and hence irrevocable) to execute and file such assignment and transfer documentation on Guarantor's behalf. FHLBI shall

have the sole right to vote, receive distributions, and exercise all other rights with respect to any such claim, provided, however, that if and when the Guaranteed Obligations have been paid in full FHLBI shall release to Guarantor any further payments received on account of any such claim.

15. *Waiver Disclosure.* Guarantor acknowledges that pursuant to this Guaranty, Guarantor has waived a substantial number of defenses that Guarantor might otherwise under some circumstance(s) be able to assert against Guarantor's liability to FHLBI. Guarantor acknowledges and confirms that Guarantor has substantial experience as a sophisticated participant in substantial commercial real estate transactions and is fully familiar with the legal consequences of signing this or any other guaranty. In addition, Guarantor is represented by competent counsel. Guarantor has obtained from such counsel, and understood, a full explanation of the nature, scope, and effect of the waivers contained in this Guaranty (a "Waiver Disclosure"). In the alternative, Guarantor has, with advice from such counsel, knowingly and intentionally waived obtaining a Waiver Disclosure. Accordingly Guarantor does not require or expect FHLBI to provide a Waiver Disclosure. It is not necessary for FHLBI or this Guaranty to provide or set forth any Waiver Disclosure, notwithstanding any principles of law to the contrary. Nevertheless, Guarantor specifically acknowledges that Guarantor is fully aware of the nature, scope, and effect of all waivers contained in this Guaranty, all of which have been fully disclosed to Guarantor. Guarantor acknowledges that as a result of the waivers contained in this Guaranty:

(a) *Actions by FHLBI.* FHLBI will be able to take a wide range of actions relating to Member, the Transactions, and the Transaction Documents, all without Guarantor's consent or notice to Guarantor. Guarantor's full and unconditional liability under this Guaranty will continue whether or not Guarantor has consented to such actions. Guarantor may disagree with or disapprove such actions, and Guarantor may believe that such actions should terminate or limit Guarantor's obligations under this Guaranty, but such disagreement, disapproval, or belief on the part of Guarantor will in no way limit Guarantor's obligations under this Guaranty.

(b) *Interaction with Member Liability.* Guarantor shall be fully liable for all Guaranteed Obligations even if Member has no liability whatsoever under the Transaction Documents or the Transaction Documents are otherwise invalid, unenforceable, or subject to defenses available to Member. Guarantor acknowledges that Guarantor's full and unconditional liability under this Guaranty (with respect to the Guaranteed Obligations as if they were fully enforceable against Member) will continue notwithstanding any such limitations on or impairment of Member's liability.

(c) *Timing of Enforcement.* FHLBI will be able to enforce this Guaranty against Guarantor even though FHLBI might also have available other rights and remedies that FHLBI could conceivably enforce against the Collateral or against other parties. As a result, FHLBI may require Guarantor to pay the Guaranteed Obligations earlier than Guarantor would prefer to pay the Guaranteed Obligations, including immediately upon the occurrence of a default by Member. Guarantor will not be able to assert against FHLBI various defenses, theories, excuses, or procedural requirements that might otherwise force FHLBI to delay or defer the enforcement of this Guaranty against

Guarantor. Guarantor acknowledges that Guarantor intends to allow FHLBI to enforce the Guaranty against Guarantor in such manner. All of Guarantor's assets will be available to satisfy FHLBI's claims against Guarantor under this Guaranty.

(d) *Continuation of Liability.* Guarantor's liability for the Guaranteed Obligations shall continue at all times until the Guaranteed Obligations have actually been paid in full, even if other circumstances have changed such that in Guarantor's view Guarantor's liability under this Guaranty should terminate, except to the extent that any express conditions to the termination of this Guaranty, as set forth in this Guaranty, have been satisfied.

16. *FHLBI's Disgorgement of Payments.* Guarantor's obligations under this Guaranty shall continue and remain in full force and effect at all times until the Guaranteed Obligations have actually been irrevocably paid in full. Guarantor's obligations under this Guaranty shall be reinstated if, pursuant to any Insolvency Proceeding or otherwise, all or any part of any payment by Guarantor is avoided or recovered directly or indirectly from FHLBI as a preference, fraudulent transfer, or otherwise, irrespective of (a) any notice of revocation given by Guarantor prior to such avoidance or recovery, or (b) payment in full of the Transactions. Subject to the foregoing, Guarantor's liability under this Guaranty shall continue until all periods have expired within which FHLBI could (on account of any Insolvency Proceedings, whether or not then pending, affecting Member or any other person) be required to return, repay, or disgorge any amount paid at any time on account of the Guaranteed Obligations.

17. *Financial Information.*

(a) *Annual Financial Statements.* Guarantor will provide to FHLBI as soon as practicable, but in any event not later than one hundred twenty (120) days after the end of each fiscal year of Guarantor, financial statements of Guarantor, audited by an independent certified public accountant, including a balance sheet, statement of income and retained earnings and a statement of cash flows, with accompanying notes to financial statements, all prepared in accordance with accounting principles generally applied in the United States ("GAAP") on a basis consistent with prior years unless specifically noted thereon, and further accompanied by a Management's Discussion and Analysis of Financial Condition and Results of Operations prepared in compliance with 17 C.F.R. § 229.303 (or any successor regulation) and by Guarantor and Guarantor's independent certified public accountant. Such financial statements shall be accompanied by the certificate of an officer of Guarantor familiar with such matters that such financial statements present fairly the financial condition of Guarantor as of the date thereof and the results of Guarantor's operations for the period then ended and that no Event of Default and no circumstances that would constitute a default but for the giving of notice and/or passing of time exists under this Guaranty or the Transaction Documents, or if any default or circumstances that would constitute a default but for the giving of notice and/or passing of time exists, stating the nature and status thereof. Notwithstanding the foregoing, the Guarantor's obligation to deliver annual audited consolidated financial statements and MD&A hereunder will be deemed to have been met by the timely filing with the U.S. Securities & Exchange Commission ("SEC") of annual reports on Form

10-K at any time that the Guarantor has a class of securities registered with, and is obligated to deliver such reports to, the SEC.

(b) *Quarterly Financial Statements.* Guarantor will, not later than forty-five (45) days after the close of each fiscal quarter of Guarantor, provide to FHLBI a balance sheet and a statement of profit and loss in a form acceptable to FHLBI, prepared by Guarantor and certified by Guarantor to be accurate and complete, reflecting Guarantor's financial condition as of the end of that fiscal quarter. Such financial statements shall be accompanied by the certificate of an officer of Guarantor familiar with such matters that such financial statements present fairly the financial condition of Guarantor as of the date thereof and the results of Guarantor's operations for the period then ended and that no Event of Default and no circumstances that would constitute a default but for the giving of notice and/or passing of time exists under this Guaranty or the Transaction Documents, or if any default or circumstances that would constitute a default but for the giving of notice and/or passing of time exists, stating the nature and status thereof. Notwithstanding the foregoing, the Guarantor's obligations to deliver quarterly consolidated financial statements hereunder will be deemed to have been met by the timely filing with the SEC of quarterly reports on Form 10-Q at any time that the Guarantor has a class of securities registered with, and is obligated to deliver such reports to, the SEC.

(c) *Supplemental Financial Information.* Guarantor shall also, within five business days after FHLBI's request made at any time, deliver to FHLBI such additional financial information relating to Guarantor as FHLBI may reasonably request and which is in Guarantor's possession, so long as the disclosure of same by the Guarantor is not prohibited under applicable Requirements of Law, including, without limitation, the rules and regulations of the SEC and any national or other exchange on which any class of securities of the Guarantor may be listed.

(d) *Confidentiality of Information.* The provisions of Section 5.15 of the Advances Agreement shall apply to any information disclosed by the Guarantor to the FHLBI pursuant to this Section 17, with the Guarantor having the rights and obligations ascribed to the "Member" in such Section 5.15, it being understood, however, that in all events the Guarantor shall be permitted to disclose such information concerning the Advances Agreement, this Guaranty and all Transactions and related agreements and understandings to the extent required by Requirements of Law.

18. *Right to Set Off.* Notwithstanding anything to the contrary contained herein, no provision of this Guaranty shall be deemed to limit, decrease or in any way diminish any rights of set-off FHLBI may have with respect to any cash, cash equivalents, or the like which may now or hereafter be put on deposit with FHLBI by Member or by Guarantor, or with respect to FHLBI stock owned by Member. Upon the occurrence and during the continuance of any Event of Default, FHLBI is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final), FHLBI stock, or other Collateral at any time held and other indebtedness at any time owing by FHLBI to or for the credit or the account of Member or Guarantor against any and all of the obligations of Guarantor now or hereafter existing under this Guaranty, irrespective

of whether or not FHLBI shall have made any demand under this Guaranty and although such obligations may be contingent and unmatured. FHLBI agrees promptly to notify Guarantor after any set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application or this Guaranty. The rights of FHLBI under this Section 18 are in addition to other rights and remedies (including, without limitation, other rights to set-off) which FHLBI may have.

19. *Consent to Jurisdiction.* Guarantor agrees that any Proceeding to enforce this Guaranty may be brought in any state or federal court located in the State that FHLBI may select from time to time. By executing this Guaranty, Guarantor irrevocably accepts and submits to the nonexclusive personal jurisdiction of each of the aforesaid courts, generally and unconditionally with respect to any such Proceeding. Guarantor agrees not to assert any basis for transferring jurisdiction of any such proceeding to another court. Guarantor further agrees that a final non-appealable judgment against Guarantor in any Proceeding shall be conclusive evidence of Guarantor's liability for the full amount of such judgment.

20. *Merger; No Conditions; Amendments.* This Guaranty and documents referred to herein contain the entire agreement among the parties with respect to the matters set forth in this Guaranty. This Guaranty supersedes all prior agreements among the parties with respect to the matters set forth in this Guaranty. No course of prior dealings among the parties, no usage of trade, and no parol or extrinsic evidence of any nature shall be used to supplement, modify, or vary any terms of this Guaranty. This Guaranty is unconditional. There are no unsatisfied conditions to the full effectiveness of this Guaranty. No terms or provisions of this Guaranty may be changed, waived, revoked, or amended without FHLBI's written agreement. If any provision of this Guaranty is determined to be unenforceable, then all other provisions of this Guaranty shall remain fully effective.

21. *Enforcement.* In the event of any Proceeding between Guarantor and FHLBI, including any Proceeding in which FHLBI enforces or attempts to enforce this Guaranty or the Transactions against Guarantor, or in the event of any Guarantor Litigation, Guarantor shall reimburse FHLBI for all Legal Costs of such Proceeding.

22. *Fundamental Changes.* Guarantor shall not wind up, liquidate, or dissolve its affairs or enter into any transaction of merger or consolidation, or sell, lease, or otherwise dispose of (or agree to do any of the foregoing) all or substantially all of its property or assets, without FHLBI's prior written consent.

23. *Further Assurances.* Guarantor shall execute and deliver such further documents, and perform such further acts, as FHLBI may request to achieve the intent of the parties as expressed in this Guaranty, provided in each case that any such documentation is consistent with this Guaranty and with the Transaction Documents.

24. *Certain Entities.* If Member or Guarantor is a partnership, limited liability company, or other unincorporated association, then: (a) Guarantor's liability shall not be impaired by changes in the name or composition of Member or Guarantor; and (b) the withdrawal or removal of any partner(s) or member(s) of Member or Guarantor shall not

diminish Guarantor's liability or (if Guarantor is a partnership) the liability of any withdrawing general partners of Guarantor.

25. *Counterparts.* This Guaranty may be executed in counterparts.

26. *WAIVER OF TRIAL BY JURY.* GUARANTOR WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING FROM OR RELATING TO THIS GUARANTY OR THE TRANSACTION DOCUMENTS OR ANY OBLIGATION(S) OF GUARANTOR HEREUNDER OR UNDER THE TRANSACTION DOCUMENTS.

27. *Miscellaneous.*

(a) *Assignability.* FHLBI may assign the rights under this Guaranty (in whole or in part) together with any one or more of the Transaction Documents in accordance with terms of the Advances Agreement without in any way affecting Guarantor's liability. Upon request in connection with any such assignment Guarantor shall deliver such documentation as FHLBI shall reasonably request. FHLBI may from time to time designate any third party to hold and exercise any or all of FHLBI's rights and remedies under this Guaranty. This Guaranty shall benefit FHLBI and its successors and assigns (including any such designated third party) and shall bind Guarantor and its heirs, executors, administrators, successors, and assigns. Guarantor may not assign this Guaranty in whole or in part without the prior written consent of FHLBI.

(b) *Notices.* All notices, requests, and demands to be made under this Guaranty shall be given in writing and shall be effective for all purposes if hand delivered or sent by (a) hand delivery, with proof of attempted delivery, (b) certified or registered United States mail, postage prepaid, (c) expedited prepaid delivery service, either commercial or United States Postal Service, with proof of attempted delivery, or (d) by email provided that such email notice must also be delivered by one of the means set forth in (a), (b) or (c) above, to the address set forth in the opening paragraph of this Guaranty or at such other address and person as shall be designated from time to time by any party hereto, as the case may be, in a written notice to the other parties hereto in the manner provided for in this Section 27(b). A notice shall be deemed to have been given: (a) in the case of hand delivery, at the time of delivery, (b) in the case of registered or certified mail, when delivered or the first attempted delivery on a Business Day, (c) in the case of expedited prepaid delivery upon the first attempted delivery on a Business Day, or (d) in the case of email, upon delivery such email; provided that (i) such email notice was also delivered by one of the means set forth in (a), (b) or (c) above (which may arrive after such email), and (ii) the transmitting party did not receive an electronic notice of a transmission failure. A party receiving a notice which does not comply with the technical requirements for notice under this Section may elect to waive any deficiencies and treat the notice as having been properly given.

(c) *Interpretation.* This Guaranty shall be enforced and interpreted according to the laws of the State, disregarding its rules on conflicts of laws. The word "include" and its variants shall be interpreted in each case as if followed by the words "without limitation."

(d) *Recitals.* The recitals set forth at the head of this Guaranty are incorporated herein by this reference.

28. *Business Purposes.* Guarantor acknowledges that this Guaranty is executed and delivered for business and commercial purposes, and not for personal, family, household, consumer, or agricultural purposes. Guarantor acknowledges that Guarantor is not entitled to, and does not require the benefits of, any rights, protections, or disclosures that would or may be required if this Guaranty were given for personal, family, household, consumer, or agricultural purposes. Guarantor acknowledges that none of Guarantor's obligation(s) under this Guaranty constitute(s) a "debt" within the meaning of the United States Fair Debt Collection Practices Act, 15 U.S.C. § 1692a(5), and accordingly compliance with the requirements of such Act is not required if FHLBI (directly or acting through its counsel) makes any demand or commences any action to enforce this Guaranty.

29. *No Third-Party Beneficiaries.* This Guaranty is executed and delivered for the benefit of FHLBI and its successors, and assigns, and is not intended to benefit any third party.

30. **CERTAIN ACKNOWLEDGMENTS BY GUARANTOR.** GUARANTOR ACKNOWLEDGES THAT BEFORE EXECUTING THIS GUARANTY: (A) GUARANTOR HAS HAD THE OPPORTUNITY TO REVIEW IT WITH AN ATTORNEY OF GUARANTOR'S CHOICE; (B) FHLBI HAS RECOMMENDED TO GUARANTOR THAT GUARANTOR OBTAIN SEPARATE COUNSEL, INDEPENDENT OF MEMBER'S COUNSEL, REGARDING THIS GUARANTY; AND (C) GUARANTOR HAS CAREFULLY READ THIS GUARANTY AND UNDERSTOOD THE MEANING AND EFFECT OF ITS TERMS, INCLUDING ALL WAIVERS AND ACKNOWLEDGMENTS CONTAINED IN THIS GUARANTY AND THE FULL EFFECT OF SUCH WAIVERS AND THE SCOPE OF GUARANTOR'S OBLIGATIONS UNDER THIS GUARANTY.

[Remainder of page left blank intentionally.]

IN WITNESS WHEREOF, Guarantor has duly executed this Guaranty as of the day first written above.

NEW YORK MORTGAGE TRUST, INC.,
a Maryland corporation

By: [Signature]
Name: Steve Mumma
Title: Chairman / CEO / President

By: [Signature]
Name: Nathan Reese
Title: Vice President & Secretary

State of New York)
County of New York) SS:

On this 1st day of April, 2015, before me personally came Steve Mumma and Nathan Reese, to me known, who, being by me duly sworn, did depose and state that they are the CEO and Vice President of NEW YORK MORTGAGE TRUST, INC., a Maryland corporation; and that they signed their names thereto on behalf of such limited liability company and that said Steve Mumma and Nathan Reese are duly authorized and acknowledge the execution of said instrument to be the voluntary act and deed of such corporation.

[Signature] (SEAL)
Notary Public Signature

Monica Mendoza
Printed Name

My Commission Expires: June 28, 2018

My County of Residence: New York

MONICA MENDOZA
Notary Public - State of New York
No. 01ME6224194
Qualified in New York County
My Commission Expires June 28, 2018

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ADVANCES, PLEDGE AND SECURITY AGREEMENT

This Advances, Pledge and Security Agreement (the "Advances Agreement"), dated as of this 23 day of March, 2015, is between Great Lakes Insurance Holdings LLC with its principal place of business at 660 Woodward Avenue, 2290 First National Building Detroit, MI 48226-3506 (the "Member") and the Federal Home Loan Bank of Indianapolis, with its principal place of business at 8250 Woodfield Crossing Boulevard, Indianapolis, Indiana 46240 (the "FHLBI").

WHEREAS, the FHLBI, subject to the provisions of the Federal Home Loan Bank Act ("Bank Act"), the Rules and Regulations of the Federal Housing Finance Agency or its legal successor ("FHFA Regulations"), the policies of the FHFA and the FHLBI's Credit Policies (as hereinafter defined), is authorized to make available Advances and Other Credit Products to its members; and

WHEREAS, Member desires from time to time to apply for such Advances and Other Credit Products that may be available to it; and

WHEREAS, the FHLBI requires that such Advances and Other Credit Products provided by the FHLBI be secured pursuant to this Advances Agreement, and Member agrees to provide such security as requested by the FHLBI by the means set forth in this Advances Agreement.

NOW THEREFORE, intending to be legally bound, the Member and the FHLBI agree as follows:

1. General.

Section 1.01. Definitions.

As used herein, the following terms shall have the following meanings:

"Advance" or "Advances" means any and all loans or other extensions of credit now or hereafter granted by the FHLBI to the Member, including all loans or extensions of credit by the FHLBI to the Member prior to the date hereof.

"Advice of Credit" means one or more written confirmations to be executed by the Member and the FHLBI specifying the type or category of Advance made, the terms of repayment, the interest rate (which may be fixed or variable), and any other pertinent terms and conditions, which shall evidence an Advance.

"Application for Advance" means one or more written or telephonic requests for an Advance, in such form or forms as shall be specified by the FHLBI from time to time, and which if executed by the FHLBI shall evidence an Advance.

"Bank Deposits" means all deposit accounts maintained by the Member with the FHLBI (excluding safe-keeping accounts expressly held for the benefit of a third-party), all money, cash and checks, drafts, notices, bills, bills of exchange and bonds deposited therein or credited thereto, including any increases, renewals, extensions, substitutions and replacements, whether or not such instruments have been posted to any such deposit account, and all statements, certificates, passbooks and instruments representing any such deposit account.

"Capital Stock" means all of the capital stock of the FHLBI owned by the Member, and all payments which have been or hereafter are made on account of subscriptions to, and all unpaid dividends on, such Capital Stock.

"CMS Account" means that certain Cash Management Service Account maintained by the Member at the FHLBI.

"Collateral" means the following assets of the Member of any kind or nature whatsoever, whether tangible or intangible, including without limitation, all Capital Stock, Bank Deposits, Mortgage Collateral,

Securities Collateral, and Other Collateral, all cash and cash equivalents, all insurance proceeds, all tax refunds, all proceeds of any of the foregoing, and all collections on any and all of the foregoing, which are now or hereafter pledged to the FHLBI pursuant to Section 3.01 hereof. "Collateral" also means any of the foregoing which have previously been assigned, transferred or pledged to the FHLBI by the Member as collateral for loans or other extensions of credit prior to the date hereof, all of such assets in which a security interest is granted pursuant to the terms hereof or in which a security interest is hereafter assigned, transferred, granted or pledged pursuant to the terms hereof.

"Collateral Policy" means the FHLBI's Collateral Policy as stated in the Credit Policy Manual, policy statements or operating circulars of the FHLBI, as in effect from time to time.

"Collateral Requirement" means such aggregate Market Value (or unpaid principal balance) of Eligible Collateral required to cover all Obligations as defined herein and as is specified in the FHLBI's Collateral Policy, or as may be otherwise specified or adjusted in writing by the FHLBI from time to time as being the collateral maintenance level the Member must maintain hereunder. The FHLBI may increase or decrease the Collateral Requirement at any time, as set forth in the Credit Policies. For the avoidance of doubt, the Member's Collateral Requirement hereunder does not include any additional Collateral that the FHLBI may require the Member to maintain and deliver pursuant to Section 3.06(a).

"Credit Policies" means the FHLBI's Credit Policy Manual, policy statements, or operating circulars relating to Advances and Other Credit Products offered by the FHLBI, all as in effect from time to time.

"Eligible Collateral" means Collateral other than Capital Stock which: (i) subject to the limitations set forth herein, meets the definition of Eligible Collateral under the FHLBI's Collateral Policy, including without limitation one-to-four family whole mortgage loans, home equity mortgage loans, commercial real estate loans, government and agency securities, private mortgage-backed securities, and Bank Deposits; (ii) is owned by the Member free and clear of any liens, encumbrances or other interests other than the obligations the Member has to its policyholders and the assignment to the FHLBI hereunder; (iii) has not been in default within the most recent 12-month period, provided that in the case of Mortgage Collateral, mortgage payments that are over- due by more than thirty (30) days shall not be included within Eligible Collateral; (iv) in the case of Mortgage Collateral, relates to residential real property which is covered by fire, hazard, and where applicable, flood insurance in an amount at least sufficient to discharge the mortgage loan in full in case of loss and as to which all real estate taxes are current; and (v) in the case of Mortgage Collateral, does not secure an obligation on which any director, officer, employee, attorney or agent of the Member or of any Federal Home Loan Bank is personally liable. The FHLBI may change the definition of Eligible Collateral from time to time, and the FHLBI's determination of Eligible Collateral shall be conclusive. Notwithstanding any other provision herein, from the effective date of this Advances Agreement until the FHLBI shall provide written notice to the contrary, Eligible Collateral shall be limited to Securities Collateral and Bank Deposits.

"Market Value" means the market value of Collateral determined in a manner as specified by the FHLBI from time to time. The FHLBI may change the method of determining Market Value at any time in a manner which shall be consistently applied to substantially all borrowers. The FHLBI's determination of Market Value shall be conclusive.

"Mortgage Collateral" means whole mortgage loans, Mortgage Documents and all security agreements, guaranties, insurance policies, certificates, binders, commitments or reports relating thereto, including title insurance, private mortgage insurance and hazard and liability insurance, surveys, bonds, participations, purchase commitments, hedge contracts or other agreements to purchase, guaranty or insure any mortgage loans or securities to be issued by the Member. Mortgage Collateral also means any other agreement, instrument or document pertaining to, affecting or obtained by the Member in connection with the loans covered by the Mortgage Documents, financing statements perfecting the Member's security interest in any of the foregoing, certificates, evidences of recordation, applications, underwriting materials, appraisals, notices, opinions of counsel, loan servicing data, files, correspondence, computer programs, tapes, discs,

cards, account records and all other electronically stored or written records or materials relating to the loans covered by the Mortgage Documents, including any and all rights, claims and chooses in action against or with respect to any person or entity which has provided services to the Member in connection with any other Mortgage Collateral, including without limitation, surveyors, appraisers, environmental engineers, environmental assessment firms, contractors and architects. Unless otherwise authorized by the FHLBI, Mortgage Collateral shall not include mortgage securities or loan participations.

"Mortgage Documents" means mortgages, deeds of trust or other security deeds in land and interests in real property and the improvements and fixtures located thereon (herein "mortgages") and all promissory notes, bonds or other instruments evidencing loans secured thereby (herein "mortgage notes") and any endorsement and assignments thereof to the Member.

"Obligation" means all obligations, liabilities or indebtedness of the Member to the FHLBI, due or to become due, direct or indirect, absolute or contingent, joint or several, now existing or hereafter at any time created, arising or incurred under this Advances Agreement, or any Application for Advance, Other Credit Product Agreements, Advances, Other Credit Products (including without limitation any FHLBI Affordable Housing Program transaction) or Bank Deposits, including any prepayment fees, overdraft charges or other fees or charges in connection therewith. "Obligation" also means any obligations for any other services (including without limitation, safekeeping, operating and other correspondent services) provided by the FHLBI, including any applications, commitments, other agreements or documents relating to the foregoing, any amendments to any of the foregoing agreements or documents and any obligations under indemnification provisions in any such agreements or documents, and any renewal, extension or substitution of any such obligations, liabilities and indebtedness, including attorneys' fees of the FHLBI in the collection thereof and the enforcement of any remedies with respect to any Collateral.

"Other Collateral" means such items of tangible and intangible property, other than Capital Stock, Bank Deposits, Mortgage Collateral and Securities Collateral, which are offered as collateral by the Member to the FHLBI and which the FHLBI in its discretion expressly accepts by written notice delivered to the Member as collateral for Advances and Other Credit Products.

"Other Credit Product Agreement" means a writing or electronic transmission in such form as shall be specified by the FHLBI, executed by the FHLBI and the Member and setting forth the obligations of the FHLBI and Member, including without limitation, any Affordable Housing Program transaction, any service confirmation, any securities trading agreements, service contract, reimbursement agreement, interest rate swap agreement, transaction, confirmation, applications, notices, advice or other instruments between the FHLBI and the Member.

"Other Credit Products" means any and all commitments or obligations under which the FHLBI agrees to make Advances to the Member or payments on behalf of or for the account of the Member, including without limitation, letters of credit, guarantees, grants, subsidies, demand or CMS Account transactions, NOW account processing, deposit overdrafts, item processing services, coin and currency services, safekeeping services (including security lending programs), securities trading services, Affordable Housing Program transactions, correspondent banking service debits or service charges, or other arrangements intended to facilitate transactions between or among the FHLBI, the Member and third parties, or under which the FHLBI enters into a credit or financial accommodation agreement or other arrangement with the Member, including without limitation, repurchase agreements and interest rate exchange transactions (such as interest rate swap agreements, cap, collar and floor agreements) and such other products or services as may be offered by the FHLBI from time to time pursuant to its Credit Policies and without regard to whether the FHLBI's obligation is contingent or conditional.

"Outstanding Commitments" means, at any point in time, the maximum aggregate principal amount of Advances or payments which the FHLBI may be obligated to make to the Member (or other parties) under Advance Applications or Other Credit Product Agreements then in effect.

"Securities Collateral" means all securities or certificates evidencing a direct or indirect interest in a loan or a group of loans secured by mortgages, including without limitation, mortgage-backed securities,

collateralized mortgage obligations and real estate mortgage investment conduits, including Federal Home Loan Mortgage Corporation mortgage participation certificates, Federal National Mortgage Association mortgage pass-through mortgage-backed certificates and Government National Mortgage Association modified pass-through mortgage-backed certificates, and all Mortgage Documents and items of Mortgage Collateral owned or otherwise acquired by the Member relating to the loans underlying such securities or certificates; consolidated obligations of the Federal Home Loan Bank System; obligations of or guaranteed by the United States; and obligations of or guaranteed by agencies or instrumentalities of the United States.

2. Advances Documentation.

Section 2.01. Application for Advances.

The Member may apply for Advances or commitments by completing and submitting an Application for Advance or requesting Other Credit Product services. The preceding sentence notwithstanding, the FHLBI may in its discretion make an Advance, make a commitment, or deliver Other Credit Products to the Member pursuant to the Bank Act, FHFA Regulations, Credit Policies, and other FHLBI procedures in effect from time to time, and by either (i) the receipt of an oral or written application which is executed by the FHLBI without change, or (ii) in the case of an application received, completed or modified by the FHLBI pursuant to a telephonic or other unsigned communication by the Member, by an Advice of Credit or other writing generated by the FHLBI. The Member shall be estopped from asserting any claim or defense with respect to the terms applicable to an Advance, commitment or Other Credit Product entered into pursuant to a telephone application or other unsigned communication unless, within ten (10) business days of receipt of the FHLBI's Advice of Credit or other writing, the Member delivers to the FHLBI a written notice specifying the disputed term(s) or condition(s). The FHLBI shall have the absolute right to rely upon the procedures established hereby or pursuant to the terms hereof and shall have no liability to the Member for any actions taken or omitted to be taken in connection with such procedures. The Member agrees that it will hold the FHLBI and each of its employees, officers, directors, agents, and representatives harmless from any loss, liability or damage which the Member may suffer, including without limitation, lost profits and attorneys' fees and disbursements, arising out of or in connection with such procedures, absent fraud, willful misconduct, or recklessness on the part of the FHLBI.

Section 2.02. FHLBI's Receipt of Written Confirmations and Findings.

Unless disputed in accordance with Section 2.01 hereof, within ten (10) business days of receipt, Member agrees to execute and provide any Advice of Credit, confirmation or Other Credit Product Agreement to the FHLBI. Upon request of the FHLBI, the Member shall sign and deliver to the FHLBI a promissory note or notes in such form as the FHLBI may reasonably require evidencing any Advance. Unless otherwise requested by the Member and approved by the FHLBI, each Advance shall be funded by crediting the Member's CMS Account(s) with the FHLBI.

Section 2.03. Interest Computations and Repayment of Advances and Other Credit Products.

The Member agrees to repay each Advance or Other Credit Product in accordance with this Advances Agreement and the terms and conditions of the Advice of Credit or Other Credit Product Agreement. Each Advance, Advice of Credit, Application for Advance, Other Credit Product and Other Credit Product Agreement shall be subject to the terms of the Credit Policies and applicable laws, regulations, and limitations, all as in effect from time to time, including the Bank Act, the FHFA Regulations and the statements of policy and guidelines of the FHFA, which shall be deemed to be incorporated by reference into this Advances Agreement. Unless otherwise specified in the FHLBI's Credit Policies or as may be otherwise specified in writing by the FHLBI from time to time, interest shall be paid at the time of each payment of all of the principal of each Advance on the amount of principal so repaid, and shall be paid on the fifteenth (15th) day of each month (or the FHLBI's next business day if the FHLBI is not open for business on the fifteenth (15th)) on the daily outstanding principal amount of each Advance since the previous interest payment date (other than principal amounts which have been repaid in full since such interest payment date), in each case at the rate applicable to such Advance as stated in the related Advice of

Credit. The Member shall pay to the FHLBI, immediately and without demand, interest on any past due amount owing on any Advance or Other Credit Product at the rate in effect and being charged by the Bank from time to time on defaults. The default rate on past due payments of principal and interest may, at the option of the FHLBI, be at a rate of five percent (5%) per annum in addition to the then highest current rate being charged by the FHLBI for advances, not to exceed the highest legal interest rate allowed under Indiana law. The Member shall maintain in the Member's CMS Account with the FHLBI an amount at least equal to the amounts then currently due and payable to the FHLBI on outstanding Advances and Other Credit Products. The Member hereby authorizes the FHLBI to debit the Member's CMS Account with the FHLBI for all amounts due and payable on any Advance or Other Credit Product and for all other amounts due and payable hereunder. In the event that the amount in the Member's CMS Account is, at any time, insufficient to pay such due and payable amounts, the FHLBI may without notice to the Member apply any Bank Deposits then in the possession of the FHLBI to the payment of such due and payable amounts.

Section 2.04. Payment of Prepayment Charges.

Any prepayment fees or charges for which provision is made, whether under the Advice of Credit, Other Credit Product Agreement, or otherwise, shall be payable at the time of any voluntary or involuntary payment of the principal of such Advance or Other Credit Product prior to the originally scheduled maturity thereof, including without limitation, payments that are made as a part of a liquidation of the Member or that become due as a result of an acceleration pursuant to Section 4.01 hereof, and whether such payment is made by the Member, by a conservator, receiver, liquidator or trustee of or for the Member, or by any successor to or any assignee of the Member. Each such prepayment fee or charge shall constitute an Obligation hereunder. The method of computation for the prepayment fee, unless expressly provided for in the applicable credit documentation, is set forth in the Credit Policies of the FHLBI and may be subject to change from time to time with prior notice to the Member.

Section 2.05. Right of FHLBI to Make Payments with Respect to Outstanding Commitments.

In the event that there are one or more Outstanding Commitments at the time of an Event of Default under Section 4.01 hereof, the FHLBI may, at its option, make any payments due thereunder from time to time by crediting a special account with the FHLBI over which the FHLBI has sole dominion and control. Amounts credited to such special accounts shall be deemed to have satisfied the FHLBI's obligations under the Outstanding Commitments. When all such obligations have been satisfied, the FHLBI shall disburse the balance, if any, in such account first to the satisfaction of any amounts then due and owing by the Member to the FHLBI and then to the Member or its successors in interest. Payments made pursuant to this section shall be payable on demand and shall bear interest at the rate specified for each applicable Advance (or if such rate is not specified, at the rate in effect and being charged by the FHLBI from time to time on variable rate advances), and shall include applicable prepayment fees. The FHLBI shall not fund Outstanding Commitments previously made to the Member whose access to Advances is restricted by its primary regulator. In addition, the FHLBI shall not fund Outstanding Commitments previously made to the Member whose access to Advances is subsequently restricted because it does not have positive tangible capital or if the FHLBI deems itself insecure for any reason, as determined by the FHLBI in its sole discretion.

3. Security Agreement.

Section 3.01. Creation of Security Interest.

As security for all Obligations, including without limitation all Advances and Other Credit Products, the Member hereby assigns, transfers, and pledges to the FHLBI and grants to the FHLBI a security interest in all Collateral, now or hereafter owned by the Member, and all proceeds thereof, provided, however, that Collateral that is encumbered or disposed of by the Member in conformity with the requirements of Section 3.03(a) hereof shall not be subject to the security interest created hereunder. Without limitation of the foregoing, all tangible and intangible property heretofore assigned, transferred or pledged by the Member to the FHLBI as Collateral for Advances and Other Credit Products prior to the date hereof is hereby assigned, transferred and pledged to the FHLBI as Collateral hereunder.

Section 3.02. Member's Representations and Warranties Concerning Collateral.

The Member represents and warrants to the FHLBI, as of the date hereof and as of the date of all future Advances or Other Credit Products secured hereunder, the following:

- (a) The Member owns and has marketable title to the Collateral and has the right and authority to grant a security interest in the Collateral and to subject all of the Collateral to this Advances Agreement;
- (b) The information contained in any certification, status report, schedule or other information given from time to time by the Member as to each item of Collateral is true, accurate and complete in all material respects;
- (c) The Member maintains Eligible Collateral which has a Market Value (or unpaid principal balance) that is at least equal to the then current Collateral Requirement and which meets the standards and requirements from time to time established by this Advances Agreement, the FHLBI's Collateral Policy, the Bank Act and the FHFA Regulations, and all other applicable laws and regulations;
- (d) The Member has not conveyed or otherwise created, and there does not otherwise exist, any participation interest or other direct, indirect, legal, or beneficial interest in any Collateral pledged under Sections 3.01 and 3.03 on the part of any person or entity other than the obligations the Member has to its policy holders, the FHLBI and the Member; except for Collateral that is subject to a valid Subordination Agreement in favor of the FHLBI from the Member and such other person or entity.
- (e) Except as may be approved in writing by the FHLBI, no account debtor or other obligor owing any obligation to the Member with respect to any item of Mortgage Collateral or Other Collateral has or will have any defenses, offsetting claims, or other rights affecting the right of the Member or the FHLBI to enforce such mortgage, mortgage note or promissory obligation, and no defaults (or conditions that, with the passage of time or the giving of notice or both, would constitute a default) exist under any such writings; and
- (f) No part of any real property or interest in real property that is the subject of Collateral contains or is subject to the effects of toxins or hazardous materials or other hazardous substances (including those defined in any applicable state or local law; or applicable federal law, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 USC 9601 et seq.; the Hazardous Materials Transportation Act, 49 USC 1801 et seq.; the Resource Conservation and Recovery Act, 42 USC 6901 et seq.; and in the regulations adopted and publications promulgated pursuant to said laws), the presence of which could subject the FHLBI to any liability under applicable state or Federal law or local ordinance either at any time that such property is pledged to the FHLBI or upon the enforcement by the FHLBI of its security interest therein.

Section 3.03. Collateral Maintenance Requirement; Delivery of Collateral; Physical Possession Requirements.

- (a) The Member shall at all times maintain an amount of Eligible Collateral which has a Market Value (or unpaid principal balance, if applicable) that is at least equal to the then current Collateral Requirement. The Member shall not assign, pledge, transfer, create any security interest in, sell, or otherwise dispose of any Collateral if (i) such Collateral is held by or on behalf of the FHLBI pursuant to subsection (f) of this section, or (ii) at the time of or immediately after such action, Member is not or would not be in compliance with the Collateral Requirements or is or would be otherwise in default under this Advances Agreement. So long as Member is not in default under this Agreement, Member shall be at

liberty to sell, use, commingle and dispose of the Collateral or the proceeds of such Collateral without being required to account for the proceeds or replace the Collateral, subject only to its obligation to maintain the Collateral as herein provided.

- (b) Until delivery of Collateral to the FHLBI or its custodian in accordance with subsection (f) of this section:
- I. Collateral shall be held by the Member in trust for the benefit of the FHLBI and subject to the FHLBI's direction and control, will not be commingled with assets of the Member which are not Collateral, and will be physically safeguarded by the Member in accordance with usual, customary and prudent commercial practices but in any event with not less than the same degree of care which the Member uses in physically safeguarding its other property and assets of like kind and nature. Without limitation of the foregoing, Member shall take all action necessary or desirable to protect and preserve the Collateral and the FHLBI's interest therein, including without limitation, the maintaining of insurance on property securing mortgages constituting Collateral (such policies and certificates of insurance or guaranty relating to such mortgages are herein called "insurance"), the collection of payments under all mortgages and under all insurance, and otherwise assuring that the loans comprising the Mortgage Collateral are serviced in accordance with the standards of a reasonable and prudent mortgagee.
 - II. The Member (or its agent), acting on behalf of the FHLBI, shall collect all payments when due on all Collateral. If the FHLBI requires under Section 3.12, the Member shall hold such collections separate from its other monies and apply them to the reduction of Obligations as they become due; otherwise, the Member shall be entitled to use and dispose of all such collections in the ordinary course of its business and in compliance with all laws, rules, and regulations.
- (c) If any Collateral that was Eligible Collateral ceases to be Eligible Collateral, the Member shall promptly notify the FHLBI in writing of that fact and, if so requested by the FHLBI, of the reason that the Collateral has ceased to be Eligible Collateral. The Member shall promptly deliver other Eligible Collateral having at least the same Market Value as the Collateral required to be withdrawn.
- (d) The FHLBI may review the form and sufficiency of all documents pertaining to the Collateral. Such documents must be satisfactory to the FHLBI and, if not, such Collateral may not be acceptable as Eligible Collateral or may have a Market Value applied thereto that is less than the Market Value otherwise applicable under the FHLBI's Collateral Policy, or as the FHLBI may specify. The FHLBI may require that the Member make any or all documents pertaining to the Collateral available to the FHLBI for its inspection and approval.
- (e) If so requested by the FHLBI, Member agrees to (i) provide a specific listing of the Eligible Collateral to FHLBI, (ii) physically segregate Mortgage Documents and Other Collateral which are a part of such specified Collateral from all other property of the Member in a manner satisfactory to the FHLBI, and/or (iii) hold each Mortgage Document which is a part of Mortgage Collateral in a separate file folder with each file folder clearly labeled with the loan identification number and the name of the borrower(s). Immediately upon the written request of the FHLBI, the Member further agrees to clearly and legibly mark or stamp each Mortgage Document and each file folder containing Mortgage Documents with the following statement (or a substantially similar statement which has been approved in writing by the FHLBI): "The Mortgage/ Deed Of Trust And Note Relating To This Loan Have Been Assigned To And Represent Collateral Of The Federal Home Loan Bank Of Indianapolis And Its Successors And Assigns" or such other statement as may be required by the FHLBI from time to time.
- (f) The Member shall promptly on a schedule acceptable to the FHLBI deliver to the FHLBI, or to a custodian designated by the FHLBI, all Collateral including such Eligible Collateral as may be necessary so that the Market Value of Eligible Collateral held by the FHLBI, or such custodian, meets or exceeds the Collateral Requirement at all times, and take any and all other action as may be specified by the FHLBI to further evidence the perfection of the FHLBI's security interest in the Collateral and to otherwise effectuate the transactions contemplated hereby, including the signature and filing of financing statements. Collateral delivered to the FHLBI shall be endorsed or assigned in recordable form by the Member to the FHLBI as directed by the FHLBI. With respect to Mortgage Collateral that is to be delivered hereunder, the Member shall deliver the Mortgage Documents with necessary endorsements and assignments relating thereto, unless otherwise directed by the FHLBI. Concurrently with the initial delivery of Collateral and at such other times as provided in the Collateral Policy or as the FHLBI may otherwise request, the Member will deliver to the FHLBI a

status report and accompanying schedules, all in form and substance satisfactory to the FHLBI and dated as of the then most recent valuation date, describing the Collateral held by the FHLBI or its custodian.

- (g) The Member authorizes the FHLBI to execute and file one or more financing statements, this Agreement, and any other documents, instruments, or statements of any kind on its behalf and without the signature of the Member in those public offices deemed necessary by the FHLBI in its sole discretion to perfect and continue the perfection of its security interest in the Collateral and to protect, defend and further assure the grant, validity and perfection thereof. In addition, the Member will, at its expense, deliver or cause to be delivered such other documents as the FHLBI may request to secure the Obligations referred to herein or to further perfect, protect, and defend the security interest granted herein.
- (h) With respect to uncertificated securities pledged to the FHLBI as Securities Collateral or Other Collateral hereunder, the delivery requirements contained in this Advances Agreement shall be satisfied by the transfer of such securities to the FHLBI, such transfer to be effected in such manner and to be evidenced by such documents as shall be specified by the FHLBI.
- (i) The Member agrees to pay to the FHLBI such reasonable fees and charges as may be assessed by the FHLBI to cover the FHLBI's overhead and other costs relating to the receipt, holding, redelivery and reassignment of Collateral and to reimburse the FHLBI upon request for all recording fees and advances incurred or made by the FHLBI in connection therewith including the reasonable compensation and the expenses and disbursements of any custodian that may be appointed by the FHLBI hereunder, and the agents and legal counsel of the FHLBI and of such custodian.
- (j) The Member shall, upon request of the FHLBI, immediately take such other actions as the FHLBI shall deem necessary or appropriate to perfect the FHLBI's security interest in the Collateral or otherwise to obtain, preserve, protect, enforce or collect the Collateral.

Section 3.04. [Reserved]

Section 3.05. Withdrawal or Reassignment of Collateral.

Upon receipt by the FHLBI of writings in form and substance satisfactory to the FHLBI constituting (i) a request from the Member for the withdrawal or reassignment of Collateral which has been delivered pursuant to Section 3.03 hereof, or as to which the FHLBI has otherwise perfected its security interest, and (ii) a detailed listing of the Collateral to be withdrawn or reassigned, provided that the FHLBI's valuation of such delivered Collateral confirms that the Member's Collateral Requirement will be satisfied after such withdrawal or reassignment, then the FHLBI shall redeliver or reassign to the Member the Collateral specified in Member's request. Notwithstanding anything to the contrary herein contained, while an Event of Default hereunder shall have occurred and be continuing, or at any time that the FHLBI in good faith deems itself insecure, the Member may not obtain any such withdrawal or reassignment.

Section 3.06. Additional Collateral; Substitutions of Collateral.

- (a) The FHLBI may at any time require the Member to maintain and deliver to the FHLBI additional Collateral. The Member expressly agrees to maintain and deliver such additional Collateral or substitutions of Collateral as the FHLBI shall require.
- (b) The FHLBI may at any time require the Member to substitute Eligible Collateral in order to maintain or meet the Member's Collateral Requirement, and the Member expressly agrees to substitute Eligible Collateral as the FHLBI shall require.

Section 3.07. Reports; Collateral Audit; Access.

- (a) In accordance with the Collateral Policy and at such other times as the FHLBI may request, the Member shall furnish to the FHLBI, in a format satisfactory to the FHLBI, a report so that the FHLBI may verify that the Member maintains Eligible Collateral with a Market Value (or unpaid principal balance, if so required by the FHLBI) sufficient to meet the Collateral Requirement. If the Market Value or unpaid principal balance of Eligible Collateral owned by the Member, free and clear of any liens or encumbrances, shall at any time fall below the Collateral Requirement, the Member shall immediately notify the FHLBI.
- (b) The Member shall permit the FHLBI to annually audit the Member's collateral to verify that the Member owns, free and clear of any liens or encumbrances (except for obligations the Member has to FHLBI's or a third party that has executed and delivered a Subordination Agreement in favor of the FHLBI), Eligible Collateral with a Market Value (or unpaid principal balance, if so required by the FHLBI) at least equal to the Collateral Requirement, and shall provide an explanation for any exceptions or qualifications found by the FHLBI during such audit. The FHLBI reserves the right to waive the audit requirement if Member's Collateral is in the physical possession of the FHLBI or in the FHLBI's sole discretion, based on particular circumstances.
- (c) The Member agrees that the FHLBI shall have access at all reasonable times to the Collateral in the Member's possession or control and to the Member's books and records of account relating to such Collateral. The Member shall permit the FHLBI to examine, inspect, audit and take copies or make extracts from its books and records and to discuss its affairs with its independent auditor (or other representative) as often as the FHLBI may reasonably request.
- (d) The Member agrees that examination reports prepared by local, state or federal authorities may be furnished by such authorities to the FHLBI upon its request, and by this Advances Agreement the Member authorizes and directs such authorities to deliver such reports to the FHLBI and waives any objections or restrictions thereto which it may lawfully waive. Member agrees that upon request of the FHLBI, it will take any and all steps necessary to assist the FHLBI in obtaining such reports from such authorities. The FHLBI agrees that to the extent such reports or the information contained therein are confidential, the Bank will use the same degree of care in keeping such reports confidential as it applies to the FHLBI's own confidential information and will not knowingly disclose any confidential information contained therein unless required to do so by law, rules, regulations, or judicial or regulatory process applicable to the FHLBI.
- (e) If requested by the FHLBI, the Member shall furnish to the FHLBI a written report covering such matters regarding the Collateral as the FHLBI may require, including listings of mortgages, securities, and unpaid principal balances thereof, and certifications concerning the status of payments on mortgages and of taxes and insurance on property securing mortgages.
- (f) The Member agrees to promptly report to the FHLBI any event which reduces the principal balance of any pledged Collateral by ten percent (10%) or more, whether by prepayment, foreclosure sale, property and casualty insurance payment or guaranty payment or otherwise provided, however, that the foregoing reporting requirement shall not apply to Securities Collateral.
- (g) All Collateral and the satisfaction by the Member of the Collateral Requirement shall be subject to audit and verification by or on behalf of the FHLBI. Such audits and verifications may occur without notice during the Member's normal business hours or upon reasonable notice at such other times as the FHLBI may reasonably request. The Member shall provide to the representatives or agents of the FHLBI, for purposes of such audits and verifications, access to all books and records related to transactions whether made or contemplated under this Advances Agreement. Further, Member shall provide adequate working facilities, at Member's expense, for the FHLBI to conduct such audits or verifications. The Member agrees to pay to the FHLBI such reasonable fees and charges as may be assessed by the FHLBI to cover overhead and other costs relating to such audit and verification. The Member further agrees that it will prepare and deliver promptly upon request of the FHLBI inquiries to Member's outside auditors, outside counsel, customers (including depositors or borrowers), and any other person that the FHLBI may reasonably request, to provide such information to the FHLBI as it may reasonably request in connection with such audit and verification.

Section 3.08. Additional Documentation and Status Reports.

The Member shall at its expense make, execute, record and deliver to the FHLBI such financing statements, assignments, listings, powers, notices and other documents with respect to the Collateral and the FHLBI's security interest therein as directed by the FHLBI and in form and substance satisfactory to the FHLBI. Upon request, Member agrees to give FHLBI verbal or written reports concerning the financial condition or status of any regulatory action maintained against the Member, its holding company, or any affiliated entity or affiliated person.

Section 3.09. FHLBI's Responsibilities as to Collateral.

The FHLBI's duty as to the Collateral shall be solely to use reasonable care in the custody and preservation of the Collateral in its possession, which shall not include any steps necessary to preserve rights against prior parties nor the duty to send notices, perform services, or take any action in connection with the management of the Collateral. The FHLBI shall not have any responsibility or liability for the form, sufficiency, correctness, genuineness or legal effect of any instrument or document constituting a part of the Collateral, or any signature thereon or the description or mis-description, or value of property represented, or purported to be represented, by any such document or instrument. The Member agrees that any and all Collateral may be removed by the FHLBI from the state or location where situated, and may there be dealt with by the FHLBI as provided in this Advances Agreement.

Section 3.10. FHLBI's Rights as to Collateral; Power of Attorney.

At any time or times, at the expense of the Member, the FHLBI may, at its discretion, before or after the occurrence of an Event of Default as defined in Section 4.01 hereof, in its own name or in the name of its nominee or of the Member, do any or all things and take any and all actions that are pertinent to the protection of the FHLBI's interests hereunder and which are lawful under the laws of the State of Indiana, or the laws of any jurisdiction under which the FHLBI may be exercising its rights hereunder, including the following:

- (a) Terminate any consent given hereunder;
- (b) With prior notice to Member (or its legal successor), notify obligors on any Collateral to make payments thereon directly to the FHLBI;
- (c) Endorse any Collateral in the Member's name;
- (d) Enter into any extension, compromise, settlement or other agreement relating to or affecting any Collateral;
- (e) Take any action the Member is required to take or which is otherwise necessary to: (i) sign and record a financing statement or otherwise perfect a security interest in any or all of the Collateral; or (ii) obtain, preserve, protect, enforce or collect the Collateral;
- (f) Take control of any funds or other proceeds generated by the Collateral and use the same to reduce the Obligations as they become due; and
- (g) Cause the Collateral to be transferred to its name or the name of its nominee.

The Member hereby appoints the FHLBI as its true and lawful attorney, with full power of substitution, for and on behalf of the Member and in its name, place and stead, to prepare, execute and record endorsements and assignments to the FHLBI of all or any item of Collateral, giving or granting to the FHLBI, as such attorney, full power and authority to do or perform every lawful act necessary or proper in connection therewith as fully as the Member might or could do. The Member hereby ratifies and confirms all that the FHLBI shall lawfully do or cause to be done by virtue of this special power of attorney. This special power of attorney is granted for a period commencing on the date hereof and continuing until the discharge of all Obligations of the Member hereunder regardless of any default by the Member. This special power of attorney is coupled with an interest and is irrevocable for the period granted.

Section 3.11. Subordination of Other Loans to Mortgage Collateral.

The Member hereby agrees that all mortgage notes which are part of the Mortgage Collateral and any notes secured by personal property ("personality notes") which may become part of the Other Collateral shall

have priority in right and remedy over any claims, however evidenced, for other loans, whether made before or after the date of such mortgage or personalty notes which are secured by the mortgages or security agreements securing such mortgage or personalty notes but are not part of the Collateral, and shall be satisfied out of the property covered by such mortgages or security agreements before recourse to such property may be obtained for the repayment of such other loans. To this end, the Member hereby subordinates the lien of such mortgages and security agreements with respect to such other loans to the lien of such mortgages and security agreements with respect to such mortgage and personalty notes. The Member further agrees to retain possession of any promissory notes evidencing such other loans and not to pledge, assign or transfer the same, except that the same may be pledged to the FHLBI as part of the Collateral. The Member, for itself and for any other person or entity claiming by or through the Member, waives any and all rights which it or such other person or entity may have to require the FHLBI to marshal the assets of the Member or to otherwise prioritize or sequence any class or category of Collateral with respect to which the FHLBI may pursue its rights and remedies.

Section 3.12. Proceeds of Collateral.

Until delivery of Collateral to the FHLBI or its custodian in accordance with Section 3.03(e), the Member shall collect all payments when due on all Collateral. If the FHLBI so requires, the Member, as the FHLBI's agent, shall hold such collections separate from its other monies in one or more designated cash collateral accounts maintained at the FHLBI and apply them to the reduction of Obligations as they become due; otherwise, the Member shall be entitled to use and dispose of all such collections in the ordinary course of its business and in compliance with all laws, rules, and regulations.

4. Default; Remedies.

Section 4.01. Events of Default; Acceleration.

In the event of the occurrence of any of the following events or conditions of default ("Event of Default"), the FHLBI may at its option, by a notice to the Member, declare all Obligations and accrued interest thereon, including any prepayment fees (including without limitation, those fees charged pursuant to Section 2.03 and 2.04), or charges which are payable in connection with the payment prior to the originally scheduled maturity of any Obligations, to be immediately due and payable without presentment, demand, protest or any further notice:

- (a) Failure of the Member to pay any interest within 2 Business Days of the date such amount becomes due and payable or failure to pay when due any principal of any Advance or any amount payable in connection with any Other Credit Product; or
- (b) Failure of the Member to perform within 2 Business Days, any promise or obligation or to satisfy any condition or liability contained herein, in an Application for Advance, Advice of Credit, or in any Other Credit Product Agreement to which the Member and the FHLBI are parties; or
- (c) Any representation, statement or warranty made or furnished in any manner to the FHLBI by or on behalf of the Member in connection with any Advance or Other Credit Product or any certification of the Market Value (or unpaid principal balance, if so required by the FHLBI) of Eligible Collateral shall have been false or misleading in any material respect when made or furnished; or
- (d) Failure of the Member to maintain Eligible Collateral which has a Market Value (or unpaid principal balance, if applicable) that is at least equal to the then current Collateral Requirement (under the physical possession requirements of Section 3.03 or under section 3.06) free of any encumbrances or claims as required herein; or
- (e) The issuance of any tax levy, seizure, attachment, garnishment, levy of execution, or other process with respect to the Collateral; or
- (f) Any failure to pay or suspension of payment by the Member to any creditor of sums due, within 5 Business Days of the date such amount becomes due and payable, or the occurrence of any event which results in another creditor having the right to accelerate the maturity of any Obligations of the Member under any security agreement, indenture, loan agreement, or comparable undertaking; or
- (g) Application for or appointment of a conservator, receiver, or trustee for the Member or of any affiliate or subsidiary of the Member or the Member's property, entry of a judgment or decree adjudicating the

- Member or any affiliate or subsidiary of Member insolvent or bankrupt, or an assignment by the Member or any affiliate or subsidiary of the Member for the benefit of creditors; or
- (h) Sale by the Member of all or a material part of the Member's assets or the taking of any other action by the Member to liquidate or dissolve; or
- (i) Termination of the Member's membership in the FHLBI, or the Member's ceasing to be eligible under the Bank Act or FHFA Regulations to borrow from, or apply for membership in, or remain a member of, the FHLBI; or
- (j) Merger, consolidation or other combination of the Member with an entity which is not a member of the FHLBI if the nonmember entity is the surviving entity; or
- (k) Member threatens or initiates legal action to challenge an otherwise legally enforceable provision under this Advances Agreement in an attempt to make the FHLBI insecure under this Advances Agreement; or
- (l) The FHLBI in good faith determines that a material adverse change has occurred in the financial condition of the Member (including its holding company or other affiliates); or
- (m) Member fails to comply with the FHLBI's Credit Policies or other applicable policies, including the requirement of creditworthiness, as determined by the FHLBI at its sole discretion, provided that Member will have thirty (30) days to comply with changes to the Credit Policy.

Section 4.02. Remedies; Set Off; Specific Performance.

(a) Upon the occurrence of any Event of Default, the FHLBI shall have all of the rights and remedies provided by applicable law, which shall include, but not be limited to, all of the remedies of a secured party under the Uniform Commercial Code as in effect in the State of Indiana, Section 10 of the Bank Act (12 USC 1430), and other applicable federal law. In addition, the FHLBI may take immediate possession of any of the Collateral or any part thereof, wherever the same may be found, without judicial process. The FHLBI may require the Member to assemble the Collateral and make it available to the FHLBI at a place designated by the FHLBI which is reasonably convenient to both parties. The FHLBI may sell, assign and deliver the Collateral or any part thereof at public or private sale for such price as the FHLBI deems appropriate without any liability for any loss due to decrease in the market value of the Collateral during the period held. The FHLBI shall have the right to purchase all or part of the Collateral at such sale. If the Collateral includes insurance or securities which will be redeemed by the issuer upon surrender, or any accounts or deposits in the possession of the FHLBI, the FHLBI may realize upon such Collateral without notice to the Member. If any notification of intended disposition of any of the Collateral is required by applicable law, such notification shall be deemed reasonable and properly given if mailed, postage prepaid, at least five (5) days before any such disposition to the address of the Member appearing on the records of the FHLBI. The proceeds of any sale shall be applied in the order that the FHLBI, in its sole discretion, may choose. The Member agrees to pay all the costs and expenses of the FHLBI in the collection of the Obligations and enforcement of the FHLBI's rights and remedies in case of default, including, without limitation, reasonable attorneys' fees. The FHLBI shall, to the extent required by law, apply any surplus after (i) payment of the Obligations, (ii) provision for repayment to the FHLBI of any amounts to be paid or advanced under Outstanding Commitments, and (iii) all costs of collection and enforcement, to third parties claiming a secondary or other security interest in the Collateral, with any remaining surplus paid to the Member. The Member shall be liable to the FHLBI for any deficiency remaining.

(b) If the Obligations, accrued interest thereon and other amounts or charges owing by the Member shall have become due and payable (by acceleration or otherwise), the FHLBI shall have the right, at any time or from time to time to the fullest extent permitted by law, in addition to all other rights and remedies available to it, without prior notice to the Member, to set off against and to appropriate and apply to such due and payable amounts any debt owing to, and any other funds held in any manner for the account of, the Member by the FHLBI, including without limitation, all Bank Deposits now or hereafter maintained by the Member with the FHLBI but excluding safekeeping accounts expressly held for the benefit of a third party. Such right shall exist whether or not such debt owing to, or funds held for the account of, the Member is matured by its terms or is accelerated by the FHLBI, and regardless of the existence or adequacy of any collateral, guaranty or any other security, right or remedy available to the FHLBI. The Member hereby consents to and confirms the foregoing arrangements and confirms the FHLBI's rights of banker's lien and setoff. Nothing in this Advances Agreement shall be deemed a waiver or prohibition of or restriction on the FHLBI's rights of banker's lien or setoff.

(c) The Member acknowledges that the breach by the Member of the provisions of this Agreement and in particular Section 3.03 hereof would cause irreparable injury to the FHLBI and that remedies at law for any such breach will be inadequate, and consents and agrees that the FHLBI shall be entitled, without the necessity of proof of actual damage, to specific performance of the terms of this Agreement and to injunctive relief in any proceedings which may be brought to enforce the provisions of this Agreement. The Member waives the right to assert the defense that such breach or violation can be compensated adequately in damages in an action of law.

5. Miscellaneous.

Section 5.01. General Representations, Warranties and Indemnifications by the Member.

The Member hereby represents and warrants that, as of the date hereof and the date of each Advance or Other Credit Product hereunder:

(a) The Member will truly and accurately represent and warrant the purpose of any Advance or Other Credit Product on any Application for Advance or Other Credit Product Agreement between Member and the FHLBI.

(b) The Member will promptly furnish any financial, collateral or other information requested by the FHLBI in connection with any Advance or Other Credit Product.

(c) The Member is not, and neither the execution of nor the performance of any transactions or obligations of the Member under any Advice of Credit, Application for Advance, Other Credit Product Agreement or this Advances Agreement shall, with the passage of time, the giving of notice or otherwise, cause the Member to be: (i) in violation of its charter or articles of incorporation or association, bylaws, the Bank Act, the FHFA Regulations, any other law or administrative regulation, agreement or any court decree; or (ii) in default or in breach of any indenture, contract or other instrument or agreement to which the Member is a party or by which it or any of its property is bound or any default under, breach of, or failure to comply with any judgment, order, decree, regulatory directive or other process of any court or agency having jurisdiction of or which is binding upon the Member.

(d) The Member is not in default under any Advice of Credit or Other Credit Product Agreement with the FHLBI.

(e) The Member has full power and authority and has received all corporate and governmental authorizations and approvals (including without limitation, those required under the Bank Act and the FHFA Regulations or by Member's principal regulator) as may be required to enter into and perform its obligations under any Advice of Credit, Application for Advance, Other Credit Product Agreement or this Advances Agreement, and to obtain Advances and Other Credit Products. The Member is a corporation organized and existing under the laws of the State of Michigan, and is a(n) Limited Liability Company domiciled insurance company, licensed to transact the business of a captive insurer in Michigan.

(f) The information given by the Member in any writing provided electronic transmission or in any oral statement made, in connection with any Application for Advance or Other Credit Product Agreement, is at all relevant times true, accurate and complete in all material respects.

(g) The Member will at all times maintain and accurately reflect the terms of this Advances Agreement (including the FHLBI's security interest in the Collateral) and all Advances and Other Credit Products hereunder on its books and records, including evidence of necessary authorizations to effectuate transactions under this Agreement.

(h) The Member and its successors and assigns (collectively referred to in this Section 5.01(h) as "Member") shall indemnify and hold the FHLBI harmless from and against any and all costs, claims, expenses, damages and liabilities with respect to any action which may be instituted by any person or entity against the FHLBI as a result of any transaction, including without limitation, FHLBI credit extensions, services, and Other Credit Products contemplated by this Advances Agreement or action or non-action arising from this Advances Agreement, except where the same results solely from the recklessness or willful misconduct of the FHLBI. In addition, the Member shall indemnify and hold the FHLBI harmless from and against any and all costs, claims, expenses, damages and liabilities resulting in any way from the presence or effects of any toxic or hazardous substances or materials in, on, or under any real property or interest in real property that is subject to or included in the Collateral. The Member also agrees to reimburse the FHLBI for such reasonable fees and charges as may be assessed by the FHLBI to cover overhead and other costs, including reasonable attorneys' fees, incurred either under this indemnification

provision or in the administration of this Advances Agreement, any Advice of Credit, or Other Credit Product Agreement.

Section 5.02. Assignment.

The FHLBI may assign or negotiate to any other Federal Home Loan Bank or to any other person or entity, with or without recourse, any Obligations of the Member or sell participations therein, and the FHLBI may assign or transfer all or any part of the FHLBI's right, title and interest in and to this Advances Agreement and may assign and deliver the whole or any part of the Collateral to the transferee, which shall succeed to all the powers and rights and duties of the FHLBI in respect thereof, and the FHLBI shall thereafter be forever relieved and fully discharged from any liability or responsibility with respect to the transferred Collateral. The Member may not assign or transfer any of its rights or obligations hereunder (by operation of law, the appointment of a receivership, or otherwise) without the express prior written consent of the FHLBI.

Section 5.03. Discretion of FHLBI to Grant or Deny Advances and Other Credit Products.

Nothing contained herein or in any documents or oral representations describing or setting forth the FHLBI's credit programs or Credit Policies shall be construed as an agreement or commitment on the part of the FHLBI to grant Advances or extend Other Credit Products hereunder, the right and power of the FHLBI in its discretion to either grant or deny any Advance or Other Credit Product requested hereunder being expressly reserved.

Section 5.04. Amendment; Waivers.

No modification, amendment or waiver of any provision of this Advances Agreement or consent to any departure therefrom shall be effective unless executed by the party against whom such change is asserted and shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Member in any case shall entitle the Member to any other or further notice or demand in the same, or similar or other circumstances. Any forbearance, failure or delay by the FHLBI in exercising any right, power or remedy hereunder shall not be deemed to be a waiver thereof, and any single or partial exercise by the FHLBI of any right, power or remedy hereunder shall not preclude the further exercise thereof. Every right, power and remedy of the FHLBI shall continue in full force and effect until specifically waived by the FHLBI in writing. Any suit based upon the breach of an obligation of a party under this Advances Agreement must be commenced within one (1) year of the date of such breach.

Section 5.05. Jurisdiction; Legal Fees.

In any action or proceeding brought by the FHLBI or the Member in order to enforce any right or remedy under this Advances Agreement, the parties hereby consent to, and agree that they will submit to, the jurisdiction of the United States District Court for the Southern District of Indiana or, if such action or proceeding may not be brought in federal court, the jurisdiction of any state court located within the Southern District of Indiana. Each party agrees that, if any action or proceeding is brought by one party seeking to obtain any legal or equitable relief against the other under or arising out of this Advances Agreement or any transaction contemplated hereby, and such relief is not granted by the final decision, after any and all appeals, of a court of competent jurisdiction, the losing party shall promptly pay upon demand all attorneys' fees and other costs incurred by the winning party in connection therewith.

Section 5.06. Waiver of Jury Trial.

To the extent allowed by law, the Member hereby waives the right to a jury trial in any action or proceeding brought by or against the Member regarding this Advances Agreement, the Collateral, Other Credit Products, or the credit facilities contemplated hereby.

Section 5.07. Notices.

Except as provided in the last sentence of this Section 5.07, any written notice, advice, request, consent or direction given, made or withdrawn pursuant to this Agreement shall be either in writing or transmitted electronically and reproduced mechanically by the addressee and shall be given by first class mail, postage prepaid, or by telecopy or other facsimile transmission, or by private courier or delivery service. Except for notices made under Section 4.02, all non-oral notices shall be deemed given when actually received at the principal office of the FHLBI or the Member, as appropriate. All notices shall be designated to the attention of an office or section of the FHLBI or of the Member if the FHLBI or the Member has made a request for the notice to be so addressed. Any notice by the FHLBI to the Member pursuant to Sections 2.01, 3.03 or 3.05 hereof may be oral and shall be deemed to have been duly given to and received by the Member at the time of the oral communication.

Section 5.08. Signatures of Member; Acceptance by FHLBI.

(a) For purposes of this Advances Agreement, documents shall be deemed signed by the Member when a signature of an authorized signatory or an authorized facsimile thereof appears on the document. The FHLBI may rely on any signature or facsimile thereof which reasonably appears to the FHLBI to be the signature of an authorized person, including signatures appearing on documents transmitted electronically to and reproduced mechanically at the FHLBI. The Secretary, the Cashier, the Assistant Secretaries, or the Assistant Cashiers of the Member shall from time to time certify to the FHLBI on forms provided by the FHLBI the names and titles of the persons authorized to apply on behalf of the Member to the FHLBI for Advances and Other Credit Products. Such certifications are incorporated herein and made a part of this Advances Agreement and shall continue in effect until expressly revoked by the Member notwithstanding that subsequent certifications may authorize additional persons to act for and on behalf of Member.

(b) This Advances Agreement shall only be binding upon the FHLBI when accepted and executed by the FHLBI by two duly authorized officers and shall be deemed accepted by and delivered to the FHLBI at its home office in Indianapolis, Indiana.

(c) This Advances Agreement may be executed in any number of counterparts, each of which when so executed and delivered, shall be deemed an original and all of which shall constitute one and the same instrument.

Section 5.09. Applicable Law; Severability.

In addition to the terms and conditions specifically set forth herein and in any Advice of Credit or Other Credit Product Agreement between the FHLBI and the Member, this Advances Agreement and all Advances and Other Credit Products extended hereunder shall be governed by the statutory and common law of the United States and, to the extent federal law incorporates or defers to state law, the laws (exclusive of the choice of law provisions) of the State of Indiana, including the Uniform Commercial Code as in effect in the State of Indiana. In the event that any portion of this Advances Agreement conflicts with applicable law or the Credit Policies, such conflict shall not affect other provisions of this Advances Agreement which can be given effect without the conflicting provisions, and to this end the provisions of this Advances Agreement are declared to be severable.

Section 5.10. Interest Rate Limitations.

Notwithstanding anything contained herein to the contrary, the obligation of the Member to make payments of interest shall be subject to the limitation that payments of interest shall not be required to be made to the FHLBI to the extent that its receipt thereof would not be permissible under the law or laws applicable to the FHLBI limiting rates of interest which may be charged or collected by the FHLBI. Any such payments of interest which are not made as a result of the limitation referred to in the preceding sentence shall be made by the Member to the FHLBI on the earliest interest payment date or dates on which the receipt thereof would be permissible under the laws applicable to the FHLBI limiting rates of interest which may be charged or collected by the FHLBI.

Section 5.11. Successors and Assigns.

This Advances Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Member and the FHLBI, provided that the Member may not assign any of its rights or obligations hereunder (by operation of law, the appointment of a receivership, or otherwise) without the prior written consent of the FHLBI. The FHLBI may sell, transfer or assign or grant participations in Advances or Other Credit Products.

Section 5.12. Remedies Cumulative.

All rights and remedies provided herein or otherwise at law or in equity shall be cumulative, and are in addition to, and not exclusive of, any rights or remedies provided by law, including without limitation, the rights and remedies of a secured party under federal law and the Uniform Commercial Code as it is in effect from time to time in Indiana, including the right of the FHLBI to retain the Collateral in satisfaction of the Obligations. The exercise of one or more rights or remedies shall not preclude, or be deemed an election of remedies against, any other remedy, right or privilege contained herein or provided to the FHLBI by law, rule or regulation or at equity.

Section 5.13. Records of FHLBI Presumed Accurate.

The books and records of the FHLBI with respect to the Obligations, the Member's accounts or any other obligations of the Member hereunder or otherwise owing to the FHLBI shall be presumed to be accurate, complete and binding upon the Member, absent fraud or willful misconduct on the part of the FHLBI with respect to such account or obligation.

Section 5.14. Entire Agreement.

This Advances Agreement and the other documents referenced herein relating to Advances and Other Credit Products embody the entire Agreement and understanding between the parties hereto relating to the subject matter hereof. This Advances Agreement amends, restates and supersedes all prior agreements between such parties which relate to such subject matter, and all Advances and Other Credit Products made by the FHLBI to the Member prior to the execution of this Advances Agreement shall be governed by the terms of this Advances Agreement and not by the terms of the prior agreement. The Agreement and the other documents contemplated hereby or delivered in connection herewith shall be construed consistently with each other in order to best effectuate the intent of the Member and the FHLBI in entering into the relationships contemplated by all these agreements. The agreements referenced herein constitute the sole and entire agreement of the parties and no statement or promise has been made with respect to the subject matter of these agreements other than as expressed herein. In the event of a conflict between the terms of this Agreement and any of the other such documents, the provisions of this Agreement shall control, except with respect to any note, whose respective terms shall control.

Section 5.15. Confidentiality.

Except where disclosure is required for legal, accounting, or regulatory purposes, the Member and the FHLBI agree that all information, items, records, data and other material provided pursuant to or in connection with the Advances Agreement, any Other Credit Product Agreement or any of the services provided hereunder or thereunder, shall be kept in strict confidence, shall be used only for the purposes of such Agreements, and shall not be disclosed by either party, its agents or employees, without, in each instance, the prior written consent of the other party; provided, however, that the Member may disclose generally the fact of its membership and participation in the programs and services of the FHLBI without consent. Each party agrees to take all necessary precautions to prevent the unauthorized disclosure of such information, including complying with security procedures deemed necessary by the FHLBI. All computer programs, Manuals, materials, forms, facilities, ideas, concepts, techniques, and know-how used, prepared or developed by the FHLBI, and any improvements extensions or modifications thereof, are and shall remain the exclusive property of the FHLBI, and may not be used by the Member, its agents, employees or others, without the FHLBI's prior written consent. In certain circumstances, the FHLBI may require the

Member to enter into licensing or use agreements with regard to any software programs provided by or through the FHLBI for the Member's use in receiving any services; and the Member hereby agrees to enter into such licensing or use agreements. Any Manuals, software programs, disks, magnetic tape, forms, or other materials provided by the FHLBI to the Member for the purposes of this Advances Agreement, shall be immediately returned by the Member to the FHLBI upon termination of this Advances Agreement.

IN WITNESS WHEREOF, the Member and the FHLBI have caused this Advances Agreement to be signed in their names by their duly authorized officers as of the date first above mentioned.

Member

By: [Signature]

Its: Treasurer / Secretary

By: [Signature]

Its: President

FEDERAL HOME LOAN BANK OF INDIANAPOLIS

By: [Signature]

Its: SENIOR VICE PRESIDENT

By: [Signature]

Its: VICE PRESIDENT

FEDERAL HOME LOAN BANK OF INDIANAPOLIS
MEMBER ACKNOWLEDGEMENT
AND NOTARIZATION

State of New York)
County of New York) SS:

On this 23rd day of March, 2015, before me personally
came Steve Mumma and
Nathan Reese, to me known, who, being by me duly sworn, did depose
and state that they are the President and
Treasurer / Secretary of said Member; and that they signed their names thereto
by order of the Board of Directors or other governing body of said Member and that
said Steve Mumma and Nathan Reese are duly authorized and
acknowledge the execution of said instrument to be the voluntary act and deed of said Member.

Monica Mendoza
Notary Public Signature

(SEAL)

Monica Mendoza
Printed Name

My Commission Expires: 06/28/2018

My County of Residence: New York

MONICA MENDOZA
Notary Public - State of New York
No. 81ME6224194
Qualified in New York County
My Commission Expires June 28, 2018

Ratio of Earnings to Fixed Charges
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
(dollars in thousands)

	For the Three Months Ended March 31,		For the Years Ended December 31,			
	2015	2014	2013	2012	2011	2010
Earnings:						
Pretax income from operations	\$ 23,788	\$ 142,586	\$ 69,694	\$ 29,100	\$ 5,243	\$ 5,670
Fixed charges	67,384	301,010	231,178	105,926	4,837	9,611
Dividends distributed to shareholders	28,376	86,705	61,302	22,304	8,270	8,102
Equity investee adjustment	(493)	(2,324)	(185)	(38)	(174)	(64)
Noncontrolling interest	-	-	-	97	(97)	-
Total Earnings	\$ 119,055	\$ 527,977	\$ 361,989	\$ 157,389	\$ 18,079	\$ 23,319
Fixed Charges:						
Interest expense	\$ 67,384	\$ 301,010	\$ 231,178	\$ 105,926	\$ 4,837	\$ 9,611
Total Fixed Charges	67,384	301,010	231,178	105,926	4,837	9,611
Preferred stock dividends	1,453	5,812	3,568	-	-	-
Total Combined Fixed Charges and Preferred Stock Dividends	\$ 68,837	\$ 306,822	\$ 234,746	\$ 105,926	\$ 4,837	\$ 9,611
Ratio of earnings to fixed charges	1.77	1.75	1.57	1.49	3.74	2.43
Ratio of earnings to combined fixed charges and preferred stock dividends	1.73	1.72	1.54	1.49	3.74	2.43
Deficiency related to ratio of earnings to fixed charges	NA	NA	NA	NA	NA	NA
Deficiency related to ratio of earnings to combined fixed charges and preferred stock dividends	NA	NA	NA	NA	NA	NA

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven R. Mumma, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2015 of New York Mortgage Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2015

/s/ Steven R. Mumma

Steven R. Mumma

Chief Executive Officer and President

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Kristine R. Nario, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2015 of New York Mortgage Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2015

/s/ Kristine R. Nario

Kristine R. Nario
Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of New York Mortgage Trust, Inc., (the “Company”) on Form 10-Q for the quarter ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: May 7, 2015

/s/ Steven R. Mumma
Steven R. Mumma
Chief Executive Officer and President
(Principal Executive Officer)

Date: May 7, 2015

/s/ Kristine R. Nario
Kristine R. Nario
Chief Financial Officer
(Principal Financial and Accounting Officer)