

NEW YORK MORTGAGE TRUST INC

Form 10-K

March 16, 2006

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

**R ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2005

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

For the Transition Period From to

Commission File Number 001-32216

NEW YORK MORTGAGE TRUST, INC.

(Exact name of registrant as specified in its charter)

Maryland

*(State or other jurisdiction of
incorporation or organization)*

47-0934168

*(I.R.S. Employer
Identification No.)*

1301 Avenue of the Americas, New York, New York 10019

(Address of principal executive office) (Zip Code)

(Registrant's telephone number, including area code)

(212) 634-9400

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.01 par value	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No R

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2005 was approximately \$133.5 million based on the closing price on such date of the registrant's common stock as reported by the New York Stock Exchange Composite Transactions.

The number of shares of the Registrant's Common Stock outstanding on March 1, 2006 was 18,258,221.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Where Incorporated
1. Proxy Statement for Annual Meeting of Stockholders to be held on June 14, 2006, to be filed with the Securities and Exchange Commission	Part III

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FORM 10-K

For the Fiscal Year Ended December 31, 2005

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PART I

Item 1. *BUSINESS*

General

New York Mortgage Trust, Inc. together with its consolidated subsidiaries (“NYMT”, the “Company”, “we”, “our”, and “us”) is a self-advised residential mortgage finance company that originates, acquires and invests in adjustable and variable rate mortgage (“ARM”) assets. We earn net interest income from residential mortgage-backed securities and adjustable-rate mortgage loans and securities. We also earn gain on sale income and net interest income by originating a variety of residential mortgage loan products through our wholly-owned subsidiary, The New York Mortgage Company, LLC (“NYMC”). NYMC also originates residential mortgage loans as a broker for other mortgage bankers for the purpose of obtaining broker fee income. NYMC, which originates residential mortgage loans through a network of 28 full-service loan origination locations and 26 satellite loan origination locations, is presently licensed or authorized to do business in 43 states and the District of Columbia.

Our residential mortgage investments are comprised of ARM loans, ARM securities and floating rate collateralized mortgage obligations (“CMO Floaters”). The ARM loans and securities have interest rates that reset in a year or less and “hybrid” ARM loans and securities have a fixed interest rate for an initial period of two to seven years before converting to ARM loans and securities whose rates will reset each year or such shorter period for their remaining terms to maturity. ARM securities represent interests in pools of whole ARM loans. The ARM securities are rated by at least one of two nationally recognized rating agencies, Standard & Poor’s, Inc. or Moody’s Investors Service, Inc. (the “Rating Agencies”), or issued by Freddie Mac (“FHLMC”), Fannie Mae (“FNMA”) or Ginnie Mae (“GNMA”). The securitizations result in a series of rated mortgage securities backed by the ARM loans. The CMO Floaters are mortgage securities backed by a pool of FNMA, FHLMC or GNMA fixed rate mortgage loans which have interest rates that adjust monthly. As an investor in residential mortgage assets, our net income is generated primarily from the difference between the interest income we earn on our mortgage assets and the cost of our borrowings (net of hedging expenses), commonly referred as the “Net Spread.”. Our goal is to maximize the long-term sustainable difference between the yield on our investments and the cost of financing these assets through the following strategies:

• focusing on originating high credit quality residential mortgage loans through NYMC that we believe can either be retained in our portfolio or sold at a profit;

• focusing on maximizing our lending to home buyers rather than to home owners seeking to refinance their mortgage loans, which we believe makes our business less vulnerable to declines in loan origination volume resulting from increases in interest rates;

• leveraging our portfolio to increase its size with the intent to enhance our returns while at the same time managing the increased risk of loss associated with this leverage;

- utilizing hedging strategies that we consider appropriate to minimize exposure to interest rate changes; and

• expanding our retail and wholesale mortgage banking business through the hiring of additional loan officers, the opening of new retail branch offices in new markets and selectively pursuing strategic acquisitions in the mortgage banking industry.

In order to be a full service provider to our customers, we originate mortgage loans through NYMC. Licensed or exempt from licensing in 43 states and the District of Columbia and through a network of 28 full service branch loan

origination locations and 26 satellite loan origination locations, NYMC offers a broad range of residential mortgage products, with a primary focus on prime, or high credit quality, residential mortgage loans. We either sell the fixed-rate loans that we originate to third parties and retain and finance in our portfolio selected adjustable-rate and hybrid mortgage loans that we originate or we sell them to third parties. Our portfolio of loans is held at the real estate investment trust (“REIT”) level or by a qualified REIT subsidiary (“QRS”). We rely on our own underwriting criteria with respect to the mortgage loans we retain and rely on the underwriting criteria of the institutions to which we sell our loans with respect to the loans we intend to sell. In either case, we directly perform the underwriting of such loans with our own experienced underwriters.

Upon completion of our initial public offering (“IPO”) in June 2004, we purchased or invested, on a leveraged basis, residential mortgage-backed securities guaranteed by FNMA or FHLMC or rated investment grade-AAA. Over time, as these securities amortize and pay-off, they will be replaced by adjustable-rate and hybrid mortgage loans that we originate or other qualifying loans or securities. We may also supplement our portfolio with loans originated through our correspondent network or purchased from third parties. We believe that our return is enhanced by retaining loans that we originate as the basis for our portfolio. We believe that mortgage investors that do not have their own origination capabilities (a “passive portfolio investor”) must purchase their mortgage loans from third parties at higher premiums than our cost of originating the mortgage loans that we retain.

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We finance the purchases and originations of our ARM loans, ARM securities and CMO Floaters (collectively “ARM Assets”) with equity capital, unsecured debt and short-term borrowings such as repurchase agreements, securitizations resulting in floating-rate long-term collateralized debt obligations (“CDOs”) and other collateralized financings. We enter into swap agreements whereby we receive floating rate payments in exchange for fixed rate payments, effectively converting the borrowings to a fixed rate. We believe our exposure and risks related to changes in interest rates can be prudently managed through holding ARM Assets and attempting to match the duration of our liabilities with the duration of our ARM Assets. From a credit risk perspective, we retain high quality assets and follow strict credit underwriting standards.

Unlike banks, savings and loans or most mortgage originators, we are structured as a REIT for federal income tax purposes. We have elected to be taxed as a REIT under Sections 856-860 of the Internal Revenue Code (IRC) of 1986, as amended, commencing with our taxable year ended December 31, 2004, and we operate so as to qualify as a real estate investment trust (“REIT”) for federal income tax purposes. We hold our investment in ARM Assets directly or in a QRS. Accordingly, the net interest income we earn on our ARM Assets is generally not subject to federal income tax as long as we distribute at least 90% of our REIT taxable income in the form of a dividend to our stockholders each year and comply with various other requirements. Failure to qualify as a REIT would subject the Company to federal income tax (including any applicable minimum tax) on its taxable income at regular corporate rates and distributions to its shareholders in any such year would not be deductible by the Company.

Our mortgage banking operations are performed at NYMC, a taxable REIT subsidiary (“TRS”). The activities we conduct through NYMC, including sourcing and selling mortgage loans sold to third parties, are subject to federal and state corporate income tax. We may elect to retain any after tax income generated by NYMC, and, as a result, may increase our consolidated capital and grow our business through retained earnings or distribute all or a portion of our after-tax NYMC earnings to our stockholders.

Access to our Periodic SEC Reports and Other Corporate Information

Our internet website address is www.nymtrust.com. We make available free of charge, through our internet website, our annual report on Form 10-K, our quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments thereto that we file or furnish pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (the “SEC”). Our Corporate Governance Guidelines and Code of Business Conduct and Ethics and the charters of our Audit, Compensation and Nominating and Corporate Governance Committees are also available on our website and are available in print to any stockholder upon request in writing to New York Mortgage Trust, Inc., c/o Chief Financial Officer and Secretary, 1301 Avenue of the Americas, 7th floor, New York, New York 10019. Information on our website is neither part of nor incorporated into this annual report on Form 10-K.

Corporate Governance

We operate our business with a focus on high standards in business practices and professional conduct. The following are some of the highlights relating to our corporate governance:

• Our board of directors is composed of a super-majority of independent directors. As per guidelines established by the SEC and NYSE, the Audit, Nominating/Governance and Compensation Committees are composed exclusively of independent directors.

• We have adopted a Code of Business Conduct and Ethics and Corporate Governance Guidelines that apply to all officers, directors and employees (as well as a supplemental Code of Ethics for Senior Financial Officers) to promote

the highest standard of conduct and ethics in our dealings with our customers, stockholders, vendors, the public and our employees.

Our Insider Trading Policy prohibits any of the directors, officers or employees of the Company from buying or selling our stock on the basis of material nonpublic information, and in conjunction with our Regulation FD policy, prohibits communicating material nonpublic information to others. Trading of our securities by directors, officers or employees is allowed only during a discreet narrow open period after our quarterly report on Form 10-Q or annual report on Form 10-K is filed with the SEC.

Generally, we will “early adopt” new accounting standards promulgated by the Financial Accounting Standards Board (“FASB”), the SEC or other standard setting accounting body.

We have established a formal internal audit function to monitor and test the efficiency of our internal controls and procedures as well as the implementation of Section 404 of the Sarbanes-Oxley Act of 2002.

We have made publicly available, through our website www.nymtrust.com, the charters of the independent committees of our Board of Directors (Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee) and other corporate governance materials, including our Code of Business Conduct and Ethics, our Corporate Governance Guidelines, our Insider Trading Policy, and other corporate governance policies.

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Company History

We were formed as a Maryland corporation in September 2003. On January 9, 2004, we capitalized New York Mortgage Funding, LLC (“NYMF”) as a wholly-owned subsidiary of our company. NYMF is a qualified REIT subsidiary, or QRS, in which we accumulate mortgage loans that the Company intends to securitize. In June 2004, we sold 15 million shares of our common stock in an IPO at a price to the public of \$9.00 per share, for net proceeds of approximately \$122 million after deducting the underwriters’ discount and other offering expenses. Concurrent with our IPO, we issued 2,750,000 shares of common stock in exchange for the contribution to us of 100% of the equity interests of NYMC. Prior to the IPO, we did not have recurring business operations.

Prior to being acquired by us, NYMC’s business strategy was to sell or broker all of the loans it originated to third parties and the largest component of NYMC’s net income was generated by the gain on sale of such loans. For accounting purposes and reporting purposes, the combination of our company and NYMC is accounted for as a reverse merger and the related transfer of loans originated by NYMC to us is accounted for as a transfer of assets between entities under common control. Accordingly, we have recorded assets and liabilities transferred from NYMC at their carrying amounts in the accounts of NYMC at the date of transfer. The consolidated financial statements include the accounts of our company subsequent to the IPO and also include the accounts of NYMC and NYMF prior to the IPO. As a result, our historical financial results prior to the IPO reflect the financial operations of this prior business strategy of selling virtually all of the loans originated by NYMC to third parties. Furthermore, the ARM loans we originated and securitized in the securitizations completed in 2005 were recorded at cost with no gain on sale recognized, as would be the case if sold to third parties. Since our IPO, our business strategy has been to invest in ARM loans and securitize them to generate net interest income. As a result, our historic operations prior to the IPO and current financial operations are not necessarily comparable.

Our Industry

Generally, the residential mortgage industry is segmented by the size of the mortgage loans and credit characteristics of the borrowers. Mortgage loans that conform to the guidelines of entities such as FHLMC, FNMA or GNMA, for both size and credit characteristics are often referred to as “conforming” mortgage loans. All other mortgage loans are often referred to as non-conforming loans either because the size of the loan exceeds the guideline limit or the credit profiles of the borrowers do not meet the guideline requirements. Our strategy focuses on adjustable- and fixed-rate and hybrid first lien mortgage loans to borrowers with strong credit profiles, which we refer to as prime mortgage loans. We believe the adjustable-rate and hybrid segment of the prime residential mortgage loan industry and our ability to originate such loans provides us the opportunity to build a portfolio of our high quality self-originated prime adjustable-rate and hybrid loans with the goal of generating higher risk-adjusted returns on investment than would be available from a portfolio based either on purchased loans or on fixed-rate or non-prime loans. We believe that our experience as a mortgage loan originator with a comprehensive and sophisticated process for credit evaluation, risk-based pricing and loss mitigation will, over time, provide us with a significant advantage over other portfolio investors who do not have comparable origination capabilities.

We believe changes are continuing to occur in the U.S. mortgage industry, resulting in the shifting of investment capital and mortgage assets out of traditional lending and savings institutions and into new forms of mortgage banking and mortgage investment firms, including those that qualify as REITs under the Internal Revenue Code. We believe that, while traditional mortgage investment companies, such as banks, thrifts and insurance companies, generally have greater diversification in their investments than we have as a REIT, they provide less attractive investment structures for investing in mortgage assets because of the costs associated with regulation, infrastructure and corporate level taxation. As a REIT, we are generally able to pass through our REIT earnings to our stockholders without incurring entity-level federal income tax, thereby allowing us to make relatively larger distributions than institutions with

similar investments because they are subject to federal income tax on their earnings.

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Additionally, with the development of highly competitive national mortgage markets (which we believe is partly due to the operations of FHLMC, FNMA or GNMA), local and regional mortgage originators have lost market share to more efficient mortgage originators who compete nationally. The growth of the secondary mortgage market, including new securitization techniques, has also resulted in financing structures that can be utilized efficiently to fund leveraged mortgage portfolios and better manage interest rate risk.

Operating Policies, Strategies and Business Segments

The Company operates two segments:

• *Mortgage Portfolio Management*— long-term investment in high-quality, adjustable-rate mortgage loans and residential mortgage-backed securities; and

- *Mortgage Lending*— mortgage loan originations as conducted by NYMC.

Our mortgage portfolio management operations primarily invest in adjustable-rate agency and “AAA”— rated residential mortgage-backed securities and high-quality mortgages that are originated by our mortgage operations or that may be acquired from third parties. Our equity capital and borrowed funds are used to invest in residential mortgage-backed securities and loans held for subsequent securitization, thereby producing net interest income.

Our mortgage lending segment originates residential mortgage loans through our taxable REIT subsidiary, NYMC. Loans are originated through NYMC’s retail and internet branches as well as from independent mortgage brokers and generate gain on sale revenue when the loans are sold to third parties or revenue from brokered loans when the loans are brokered to third parties.

Mortgage Portfolio Management

Prior to the completion of our IPO on June 29, 2004, our operations were limited to the mortgage operations described in the section below entitled “Mortgage Lending.” Beginning in July 2004, we began to implement our business plan of investing in high quality, adjustable rate mortgage loan securities. Our portfolio management strategy is to originate and acquire ARM Assets to hold in our portfolio, fund them using equity capital and borrowings and to generate net interest income from the difference, or net spread, between the yield on these assets and our cost of financing. In order to accomplish this, our:

• Proceeds from equity raising efforts are promptly invested in acquired ARM Assets in order to generate returns on the equity investment.

• Acquired ARM Assets are replaced with high-quality, higher-yielding, lower cost ARM loans self-originated through NYMC retail channels or otherwise acquired.

- Mortgage portfolio management operates with a long-term investment outlook.
- Short-term financing of ARM loans to be securitized is provided by secured warehouse and aggregation lines.

• Ultimate financing for ARM loans is provided by either issuing collateralized debt obligations or by repurchase financing facilities.

We believe we benefit from a cost advantage from self-originating loans and holding these loans in securitized form in the REIT or our QRS:

through self-origination, we avoid the intermediation costs associated with purchasing mortgage assets in the capital markets; and

the net interest income generated in the REIT or our QRS generally will not be subject to tax, whereas, had we sold our loans in the capital markets through our TRS, we would have been subject to tax on the gain on sale of loans.

We believe, this strategy, together with prudent leverage to produce the mortgage-backed securities we hold, will produce a greater return for our stockholders in the long term relative to a purchased securities portfolio. This greater return is accomplished by a combination of the recognition of the incremental lower cost to originate such loans and/or the ability to better afford appropriate interest rate hedging strategies in order to provide a similar return to a purchased securities portfolio but with a lower risk profile.

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We seek to have a portfolio consisting of high quality mortgage-backed securities and loans. We believe that retaining high quality assets in our portfolio helps us mitigate risks associated with market disruptions. Our investment guidelines define the following classifications for securities we own:

Category I investments are mortgage-backed securities that are either rated within one of the two highest rating categories by at least one of the Rating Agencies, or have their repayment guaranteed by FHLMC, FNMA or GNMA.

Category II investments are mortgage-backed securities with an investment grade rating of BBB/Baa or better by at least one of the Rating Agencies.

- Category III investments are mortgage-backed securities that have no rating from, or are rated below investment grade by at least one of the Rating Agencies.

We retain on our balance sheet a majority of the residential first lien adjustable-rate and hybrid mortgage loans originated by NYMC that we believe have a low risk of default and resulting loss and are of the following types:

- 1 month adjustable-rate (various total terms);
- 6 month adjustable-rate (various total terms);
- 1 year adjustable-rate (various total terms);
- 2 year fixed-rate, adjustable-rate hybrid (various total terms);
- 3 year fixed-rate, adjustable-rate hybrid (various total terms);
- 5 year fixed-rate, adjustable-rate hybrid (various total terms): and
- 7 year fixed-rate, adjustable-rate hybrid (various total terms).

The investment policy adopted by our Board of Directors provides, among other things, that:

- no investment shall be made which would cause us to fail to qualify as a REIT;
- no investment shall be made which would cause us to be regulated as an investment company;
- at least 70% of our assets will be Category I investments or loans that back or will back such investments; and
- no more than 7.5% of our assets will be Category III investments.

Our Board of Directors may amend or waive compliance with this investment policy at any time without the consent of our stockholders.

We seek to avoid many of the risks typically associated with companies that purchase mortgage-backed securities in the capital markets.

For our self-originated loan portfolio, we perform our own underwriting rather than rely on the underwriting of others.

¶ We attempt to maintain a net duration, or duration gap, of one year or less on our ARM portfolio, related borrowings and hedging instruments.

¶ We structure our liabilities to mitigate potential negative effects of changes in the relationship between short- and longer-term interest rates.

- We may purchase or structure credit enhancements to mitigate potential losses from borrower defaults.

¶ Substantially all of the Company's securities are backed by ARM loans. Because we are focused on holding ARM loans rather than fixed-rate loans, we believe we will be adversely affected to a lesser extent by early repayments due to falling interest rates or a reduction in our net interest income due to rising interest rates.

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Our Board of Directors has also established an investment and leverage committee for the purpose of approving certain investment transactions and the incurrence of indebtedness. This committee is comprised of our co-chief executive officers, our chief investment officer and chief operating officer, and our chief financial officer. The committee has the authority to approve, without the need of further approval of our board of directors, the following transactions from time to time, any of which may be entered into by us or any of our subsidiaries:

the purchase and sale of agency and private label mortgage-backed securities, subject to the limitations described above;

- securitizations of our mortgage loan portfolio;
- the purchase and sale of agency debt;
- the purchase and sale of U.S. Treasury securities;
- the purchase and sale of overnight investments;
- the purchase and sale of money market funds;
- hedging arrangements using:
 - interest rate swaps and Eurodollar contracts;
 - caps, floors and collars;
 - financial futures; and
 - options on any of the above; and
- the incurrence of indebtedness using:
 - repurchase agreements;
 - bank loans, up to an aggregate of \$100 million; and
 - term repurchase agreements.

Initially, the loans held for investment are funded through warehouse facilities and repurchase agreements. We ultimately finance the loans that we retain in our portfolio through securitization transactions. Upon securitization, we expect that a vast majority of the resulting mortgage-backed securities will become eligible for inclusion in Category I.

The only subordinate classes of mortgage-backed securities that we will hold (Category III investments) are subordinate classes that result from securitizations of the mortgage loans in our portfolio. We do not seek to acquire subordinated mortgage-backed securities as investments but instead acquire them only in connection with our mortgage loan securitizations or in order to help us meet our asset tests as a REIT.

We generally maintain an overall debt-to-equity ratio ranging from 8:1 to 12:1 on the financing of our portfolio ARM Assets. Our liabilities are primarily termed repurchase agreements with maturities ranging from one to twelve months. A significant risk to our operations, relating to our portfolio management, is the risk that interest rates on our assets will not adjust at the same times or amounts that rates on our liabilities adjust. Even though we retain and invest in ARM loans, many of the hybrid ARM loans in our portfolio have fixed rates of interest for a period of time ranging from two to seven years. Our funding costs are generally not constant or fixed. As a result, we use interest rate swaps to extend the duration of our liabilities to attempt to match the duration of our assets and we use termed repurchase agreements with laddered maturities to reduce the risk of a disruption in the repurchase market. Since we hold primarily ARM Assets rated AAA and agency securities (FHLMC or FNMA), we believe we are less susceptible to a disruption in the repurchase market as these types of securities have typically been eligible for repurchase market financing even when repurchase financing was not available for other classes of mortgage assets or asset backed bonds.

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Mortgage Lending

The origination of mortgage loans through NYMC is significant to our financial results in that it:

• originates many of the high quality mortgage loans that we retain and ultimately collateralize as mortgage securities that we hold in portfolio or issue as collateralized debt obligations;

- allows us to be competitive by offering a broad range of residential mortgage loan products; and

• generates gain on sale income at the TRS with the ability to sell to third parties any fixed-rate and ARM loans that are not eligible for retention and investment in the our portfolio.

Furthermore, we believe our ability to originate ARM loans for securitization benefits us by providing:

• the ability to originate ARM loans at lower cost, so that the amount of premium (net cost over par) to be amortized will be reduced in the event of prepayment;

• generally higher yielding investments as our cost basis is lower; providing the ability to generate a higher return to shareholders and/or the ability to absorb the cost of additional interest rate hedges and thus reduce the inherent interest rate risk in our portfolio;

• greater control over the quality and types of ARM loans in our portfolio as we directly perform our own underwriting of such loans and can encourage our loan officers to focus on certain types of ARM products.

Through NYMC, our loan origination business originates primarily first mortgages on one-to-four family dwellings through our retail loan production offices and is supplemented by our wholesale division and internet channel (www.MortgageLine.com).

We believe that the substantial growth of NYMC's mortgage banking business since its inception has resulted from its commitment to providing exemplary service to its customers and its concentration on retail, referral-based, mortgage banking to borrowers with strong credit profiles. Based on our past experience and our knowledge of the mortgage industry, we believe that referrals from realtors, attorneys, accountants and other professionals and business from repeat customers tend to generate a higher percentage of purchase mortgage loan applications than refinance applications as compared to the loan applications generated by advertising and other mass marketing efforts. For the year ended December 31, 2005, our residential purchase loan originations represented 57.8% of NYMC's total residential mortgage loan originations as measured by principal balance, as compared to an industry-wide percentage of 53.5% for one-to-four family mortgage loans, according to the February 7, 2006 report of the Mortgage Bankers Association, or MBA.

In addition, we believe that the market for mortgage loans for home purchases is less susceptible than the refinance market to downturns during periods of increasing interest rates, because borrowers seeking to purchase a home do not generally base their decision to purchase on changes in interest rates alone, while borrowers that refinance their mortgage loans often make their decision as a direct result of changes in interest rates. Consequently, while our referral-based marketing strategy may cause our overall loan origination volume during periods of declining interest rates to lag our competitors who rely on mass marketing and advertising and who therefore capture a greater percentage of loan refinance applications during those periods, we believe our strategy will enable us to sustain stronger home purchase loan origination volumes than those same competitors during periods of flat to rising interest

rates. In addition, we believe that our referral-based business results in relatively higher gross margins and lower advertising costs and loan generation expenses than most other mortgage companies whose business is not referral-based.

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The following table details the payment stream, loan purpose and documentation type of our mortgage loan originations for the year ended December 31, 2005:

MORTGAGE LOAN ORIGINATION SUMMARY
For the fiscal year ended December 31, 2005

(Dollar amounts in thousands)	Number of Loans	Dollar Value	% of Total
Payment Stream			
<i>Fixed Rate</i>			
FHA/VA	1,805	\$ 242,258	7.0%
Conventional Conforming	6,031	967,922	28.2%
Conventional Jumbo	581	351,971	10.2%
Total Fixed Rate	8,417	\$ 1,562,151	45.4%
<i>ARMs</i>			
FHA/VA	94	\$ 15,244	0.5%
Conventional	6,202	1,859,976	54.1%
Total ARMs	6,296	1,875,220	54.6%
Annual Total	14,713	\$ 3,437,371	100.0%
Loan Purpose			
Conventional	12,814	\$ 3,179,869	92.5%
FHA/VA	1,899	257,502	7.5%
Total	14,713	\$ 3,437,371	100.0%
Documentation Type			
Full Documentation	9,238	\$ 2,100,239	61.1%
Stated Income	2,489	696,789	20.3%
Stated Income/Stated Assets	1,346	320,624	9.3%
No Documentation	609	145,845	4.2%
No Ratio	437	83,013	2.4%
Stated Assets	13	2,315	0.1%
Other	581	88,546	2.6%
Total	14,713	\$ 3,437,371	100.00%

Retail Loan Origination

Our loan origination strategy is predominantly retail, referral-based, mortgage banking. Our loan officers rely primarily on the various relationships they have established with their clientele, realtors, attorneys and others who routinely interact with those who may need mortgage financing. Retail loan origination allows us to provide a variety of attractive and innovative mortgage products at competitive rates. Unlike many banks and financial institutions which focus solely on loan products to retain in their portfolios, we offer a wide range of products — products that we can retain in portfolio and products that we will sell to third parties if such loans do not meet our investment parameters.

Because we are predominately referral-based, our cost of sourcing potential retail clients is less than an organization that relies heavily on concentrated broadcast, print or internet media advertising. In order to remain compliant with the Real Estate Settlement Procedures Act (“RESPA”), we do not pay referral fees or enter into above market co-branding, co-marketing or shared facilities relationships. By eliminating intermediaries between the borrower and us, we can both originate high quality mortgage loans for retention in our portfolio at attractive yields or offer loans that may be

sold to third parties, while at the same time offering our customers a variety of mortgage products at competitive rates and fees.

Wholesale Loan Origination

Our wholesale lending strategy has historically been a small component of our loan origination operations. We have a network of non-affiliated wholesale loan brokers and mortgage lenders who submit loans to us. We maintain relationships with these wholesale brokers and, as with retail loan originations, will underwrite, process, and fund wholesale loans through our centralized facilities and processing systems. In order to further diversify our origination network, during 2005, we began to expand our wholesale loan origination capacity with the creation of a division specifically for wholesale loan originations.

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Correspondent Lending

Through our correspondent lending channels, we may acquire mortgage loans from Company-approved correspondent lenders. We review our correspondents for the soundness of their in-house mortgage lending procedures and their ability to fulfill their representations and warranties to us. Generally, loans acquired from correspondents are originated to our approved specifications including our internally developed loan products, credit and property guidelines, and underwriting criteria. In addition, correspondents may sell their own loan products to us that are originated according to the correspondents' product specifications and underwriting guidelines that we have approved and accepted.

To verify product quality and compliance with our underwriting and investment guidelines, we perform a full review of all of the loans generated by the correspondent prior to the purchase thereof. A full underwriting review of each loan file, including all credit and appraisal information, is performed as well as documentation sufficiency and compliance. Similar to loans originated through our retail and wholesale channels, these loans are also subjected to our quality control reviews.

Underwriting

Historically, NYMC's underwriting philosophy has been to underwrite loans according to the guidelines established by the available purchasers of its loans. However, the Company underwrites to its own guidelines select ARM loans it retains for its investment portfolio. We believe that proper underwriting for such loans is critical to managing the credit risk inherent in a loan portfolio.

Typically, mortgage underwriting guidelines provide a framework for determining whether a proposed mortgage loan to a potential borrower will be approved. The key points in this framework are the borrower's credit scores and other indicia of the borrower's ability and willingness to repay the loan, such as the borrower's employment and income, the amount of the borrower's equity in and the value of the borrower's property securing the loan, the borrower's debt to income and other debt ratios, the loan to value ("LTV") of the loan, the amount of funds available to the borrower for closing and the borrower's post-closing liquidity.

We continue to follow the underwriting guidelines established by available purchasers with respect to the loans we intend to sell. Furthermore, for mortgage loans we intend to retain, we follow a specific underwriting methodology based on the following philosophy — first evaluate the borrower's ability and willingness to repay the loan, and then evaluate the value of the property securing the loan. We seek only to retain mortgage loans that we believe have low risk of default and resultant loss. As underwriting basically seeks to predict future borrower payment patterns and ability based on the borrower's history and current financial information and the lender's ability to be made whole in the future through foreclosure in the event a default does occur, no assurance can be made that every loan originated or purchased will perform as anticipated.

The key aspects of our underwriting guidelines are as follows:

Borrower— In evaluating the borrower's ability and willingness to repay a loan, we review and analyze the following aspects of the borrower: credit score, income and its source, employment history, debt levels in revolving, installment and other mortgage loans, credit history and use of credit in the past, and finally the ability and/or willingness to provide verification for the above. Credit scores, credit history, use of credit in the past and information as to debt levels can be typically obtained from a third party credit report through a credit repository. Those sources are used in all cases, as available. In certain cases, borrowers have little or no credit history that can be tracked by one of the primary credit repositories. In these cases, the reason for the lack of history is considered and taken into account. In

our experience, more than 95% of prospective borrowers have accessible credit histories.

Property— In evaluating a potential property to be used as collateral for a mortgage loan, we consider all of the following aspects of the property: the loan balance versus the property value, or LTV, the property type, how the property will be occupied (a primary residence, second home or investment property), if the property's apparent value is supported by recent sales of similar properties in the same or a nearby area, any unique characteristics of the property and our confidence in the above data and their sources.

Other Considerations— Other considerations that impact our decision regarding a borrower's loan application include the borrower's purpose in requesting the loan (purchase of a home as opposed to cashing equity out of the home through a refinancing for example), the loan type (adjustable-rate, including adjustment periods and loan life rate caps, or fixed-rate), and any items unique to a loan that we believe could affect credit performance.

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In addition, we work with nationally recognized providers of appraisal, credit, and title insurance. We oversee the activities of these service providers through on-site visits, report monitoring, customer service surveys, post-closing quality control, and periodic direct participation and conversations with our customers. A significant amount of our settlement services are performed by in-house professionals. We have an extensive quality control review process that is contracted with a third party in order to verify that selected loans were properly underwritten, executed and documented. All loans retained in portfolio and a selection of other loans sold to third parties also are quality control reviewed internally as well.

Our Loan Origination Financing Strategy

We finance our loan originations utilizing warehouse agreements as well as other similar financing arrangements. The agreements are each renewable annually, but are not committed, meaning that the counterparties to the agreements may withdraw access to the credit facilities at any time.

Warehouse Facilities— Non-depository mortgage lenders, such as NYMC, typically rely on credit facilities for capital needed to fund new mortgage loans. These facilities are typically lines of credit or master repurchase agreements from other financial institutions that the mortgage banker can draw from in order to fund new mortgage loans. These facilities are referred to as warehouse lines or warehouse facilities.

Warehouse lines are typically collateralized loans made to mortgage bankers that in turn pledge the resulting loans to the warehouse lender. Third-party mortgage custodians, usually large banks, typically hold the mortgage loans, including the notes, mortgages and other important loan documentation, for the benefit of the mortgage lender who is deemed to own the loan and, if there is a default under the warehouse line, for the benefit of the warehouse lender.

We currently have a \$250 million warehouse facility with Greenwich Capital Financial Products, Inc. and a \$200 million warehouse facility with Credit Suisse First Boston Mortgage Capital, LLC. On December 13, 2005 we entered into a master repurchase agreement with Deutsche Bank Structured Products, Inc. under which we can enter into up to \$300 million in loan repurchase arrangements. This facility became operational in January 2006.

Loan Servicing

Loan servicing is the administration function of a mortgage loan whereby an entity collects monthly payments from a mortgage borrower and disburses those funds to the appropriate parties. The servicer has to account for all payments, maintain balances in certain accounts for each loan, maintain escrow accounts for real estate taxes and insurance, remit the correct amount of principal and interest monthly to the holder of the loan and handle foreclosures as required.

Any loans that we originate and retain for our portfolio have their servicing handled by Cenlar Federal Savings Bank (“Cenlar”), a wholesale bank specializing in mortgage sub-servicing nationwide. Under this arrangement, Cenlar acts as an intermediary between us and the borrower. It collects payments from borrowers, handles accounting and remittance of the payments, handles escrow accounts and does certain tax reporting. As our retained loans are securitized, Cenlar continues to service those loans and reports to the securities trustee or master servicer, as appropriate.

For a loan originated and sold to third parties, the servicing rights are sold upon the sale of the loan. We may choose to own, for periods usually not more than 90 days, certain loans designated as held for sale to third parties in order to increase earnings. In these cases, we believe there is a large enough spread between the mortgage loan interest rate and the interest rate paid on the applicable warehouse line to make any additional risk in carrying those loans on our balance sheet worthwhile. In these cases, and during the interim period between the time we fund (and subsequently

own) a loan and sell the loan to a third party, we service loans through Cenlar as well.

Loan servicing provided by Cenlar is provided on a private label basis, meaning that Cenlar employees will identify themselves as being our representatives and correspondence regarding loans is on our letterhead. The benefit to us of this arrangement is that we pay for loan services as we use them, without a significant investment in personnel, systems and equipment. In addition, since Cenlar sub-services on our behalf and reports directly to us, we are quickly made aware of any customer wishing for an early payoff of their loan through refinancing or sale of their home. As a result, we can quickly respond to customer needs and make immediate efforts reestablishing customer contact in order to capture the potential payoff of a customer's loan with another loan product (potential refinancing, modification or new purchase mortgage) that suits their needs.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

- our limited operating history with respect to our portfolio strategy;

our proposed portfolio strategy may be changed or modified by our management without advance notice to stockholders, and that we may suffer losses as a result of such modifications or changes;

- impacts of a change in demand for mortgage loans on our net income and cash available for distribution;

our ability to originate prime and high-quality adjustable-rate and hybrid mortgage loans for our portfolio or for sale to third parties;

- risks associated with the use of leverage;

interest rate mismatches between our mortgage-backed securities and our borrowings used to fund such purchases;

- changes in interest rates and mortgage prepayment rates;
- effects of interest rate caps on our adjustable-rate mortgage-backed securities;

- the degree to which our hedging strategies may or may not protect us from interest rate volatility;
 - potential impacts of our leveraging policies on our net income and cash available for distribution;
 - our board's ability to change our operating policies and strategies without notice to you or stockholder approval;
- the other important factors described in this Annual Report on Form 10-K, including those under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Risk Factors," and "Quantitative and Qualitative Disclosures about Market Risk."

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We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the events described by our forward-looking events might not occur. We qualify any and all of our forward-looking statements by these cautionary factors. In addition, you should carefully review the risk factors described in other documents we file from time to time with the Securities and Exchange Commission, including the Company's registration statement on Form S-11 (File No. 333-111668).

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

Seasonality

Loan originations and payoffs are typically at their lowest levels during the first and fourth quarters of the year due to a reduced level of home buying activity during the colder months and while schools are in session. Loan originations and payoffs generally increase during the warmer months, beginning in March and continuing through October. The Company typically experiences higher earnings in the second and third quarters and lower earnings in the first and fourth quarters from its loan origination segment.

Competition

We face intense competition from finance and mortgage banking companies, other mortgage REITs, internet-based lending companies where entry barriers are relatively low, and, to a growing extent, from traditional bank and thrift lenders that have increased their participation in the mortgage industry. As we expand our loan origination business further and build a portfolio of mortgage loans and mortgage-backed securities, we face a significant number of additional competitors, many of whom will be well established in the markets we seek to operate. Some of our competitors are much larger than we are, have better name recognition than we do and have far greater financial and other resources than we do.

We anticipate that the majority of our competition will be in the mortgage industry. In addition to mortgage banking companies, internet-based lending companies, traditional banks and thrift lenders, the government sponsored entities Fannie Mae and Freddie Mac are also expanding their participation in the mortgage industry. While the government sponsored entities presently do not have the legal authority to originate mortgage loans, they do have the authority to buy loans. If as a result of their purchasing practices, these government sponsored entities experience significantly higher-than-expected losses, the experience could adversely affect overall investor perception of the mortgage industry.

Competition in the industry can take many forms, including lower interest rates and fees, less stringent underwriting standards, convenience in obtaining a loan, customer service, amount and term of a loan and marketing and distribution channels. The need to maintain mortgage loan volume in this competitive environment creates a risk of price and quality competition in the mortgage industry. Price competition could cause us to lower the interest rates that we charge borrowers, which could lower the value of our loans we sell or retain in our portfolio. If our competitors adopt less stringent underwriting standards, we will be pressured to do so as well. If we do not relax underwriting standards in response to our competitors, we may lose market share. If we relax our underwriting standards in response to price competition, we may be exposed to higher credit risk without receiving higher pricing to compensate for the higher risk. Any increase in these pricing and underwriting pressures could reduce the volume of our loan originations and sales and significantly harm our business, financial condition, liquidity and results of operations.

Personnel

The Company recruits, hires and retains individuals with the specific skills that complement its corporate growth and business strategies. As of December 31, 2005, we employed 802 people. Of this number, 329 were loan officers dedicated to originating loans. The number of employees at December 31, 2004 was 782, of which 344 were loan officers dedicated to originating loans.

Certain Federal Income Tax Considerations and Our Status as a REIT

We have elected to be taxed as a REIT under the federal income tax laws. As such, we operate in such a manner as to qualify for taxation as a REIT under the federal income tax laws, and we intend to continue to operate in such a manner, but no assurance can be given that we will operate in a manner so as to qualify or remain qualified as a REIT.

As a REIT, we generally will not be subject to federal income tax on the REIT taxable income that we distribute to our stockholders, but taxable income generated by NYMC, our taxable REIT subsidiary, is subject to regular corporate income tax. The benefit of REIT tax status is a tax treatment that avoids “double taxation,” or taxation at both the corporate and stockholder levels, that generally applies to distributions by a corporation to its stockholders.

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Summary Requirements for Qualification

Organizational Requirements

A REIT is a corporation, trust, or association that meets each of the following requirements:

- 1) It is managed by one or more trustees or directors.
- 2) Its beneficial ownership is evidenced by transferable shares, or by transferable certificates of beneficial interest.
- 3) It would be taxable as a domestic corporation, but for the REIT provisions of the federal income tax laws.
- 4) It is neither a financial institution nor an insurance company subject to special provisions of the federal income tax laws.
- 5) At least 100 persons are beneficial owners of its shares or ownership certificates.
- 6) Not more than 50% in value of its outstanding shares or ownership certificates is owned, directly or indirectly, by five or fewer individuals, which the federal income tax laws define to include certain entities, during the last half of any taxable year.
- 7) It elects to be a REIT, or has made such election for a previous taxable year, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT status.
- 8) It meets certain other qualification tests, described below, regarding the nature of its income and assets.

We must meet requirements 1 through 4 during our entire taxable year and must meet requirement 5 during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months.

Qualified REIT Subsidiaries. A corporation that is a “qualified REIT subsidiary” is not treated as a corporation separate from its parent REIT. All assets, liabilities, and items of income, deduction, and credit of a “qualified REIT subsidiary” are treated as assets, liabilities, and items of income, deduction, and credit of the REIT. A “qualified REIT subsidiary” is a corporation, all of the capital stock of which is owned by the REIT. Thus, in applying the requirements described herein, any “qualified REIT subsidiary” that we own will be ignored, and all assets, liabilities, and items of income, deduction, and credit of such subsidiary will be treated as our assets, liabilities, and items of income, deduction, and credit.

Taxable REIT Subsidiaries. A REIT is permitted to own up to 100% of the stock of one or more “taxable REIT subsidiaries,” or TRSs. A TRS is a fully taxable corporation that may earn income that would not be qualifying income if earned directly by the parent REIT. Overall, no more than 20% of the value of a REIT’s assets may consist of stock or securities of one or more TRSs.

A TRS will pay income tax at regular corporate rates on any income that it earns. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. We have elected for NYMC to be treated as a TRS. NYMC is subject to corporate income tax on its taxable income, which is its net income from loan originations and sales.

Qualified REIT Assets

On the last day of each calendar quarter, at least 75% of the value of our assets (which includes any assets held through a qualified REIT subsidiary) must consist of qualified REIT assets — primarily, real estate, mortgage loans secured by real estate, and certain mortgage-backed securities (“Qualified REIT Assets”), government securities, cash, and cash items. We believe that substantially all of our assets are and will continue to be Qualified REIT Assets. On the last day of each calendar quarter, of the assets not included in the foregoing 75% asset test, the value of securities that we hold issued by any one issuer may not exceed 5% in value of our total assets and we may not own more than 10% of the voting power or value of any one issuer’s outstanding securities (with an exception for securities of a qualified REIT subsidiary or of a taxable REIT subsidiary). In addition, the aggregate value of our securities in taxable REIT subsidiaries cannot exceed 20% of our total assets. We monitor the purchase and holding of our assets for purposes of the above asset tests and seek to manage our portfolio to comply at all times with such tests.

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We intend to limit substantially all of the assets that we acquire to Qualified REIT Assets. Our strategy to maintain REIT status may limit the type of assets, including hedging contracts and other assets that we otherwise might acquire.

We may from time to time hold, through one or more taxable REIT subsidiaries, assets that, if we held them directly, could generate income that would have an adverse effect on our qualification as a REIT or on certain classes of our stockholders.

Gross Income Tests

We must meet the following separate income-based tests each year:

1. The 75% Test. At least 75% of our gross income for the taxable year must be derived from Qualified REIT Assets. Such income includes interest (other than interest based in whole or in part on the income or profits of any person) on obligations secured by mortgages on real property, rents from real property, gain from the sale of Qualified REIT Assets, and qualified temporary investment income or interests in real property. The investments that we have made and intend to continue to make will give rise primarily to mortgage interest qualifying under the 75% income test.
2. The 95% Test. At least 95% of our gross income for the taxable year must be derived from the sources that are qualifying for purposes of the 75% test, and from dividends, interest or gains from the sale or disposition of stock or other assets that are not dealer property.

Distributions

We must distribute to our stockholders on a pro rata basis each year an amount equal to at least (i) 90% of our taxable income before deduction of dividends paid and excluding net capital gain, plus (ii) 90% of the excess of the net income from foreclosure property over the tax imposed on such income by the Internal Revenue Code, less (iii) any “excess non-cash income.” We have made and intend to continue to make distributions to our stockholders in sufficient amounts to meet the distribution requirement for REIT qualification.

Item 1A. RISK FACTORS

An investment in our securities involves various risks. You should carefully consider the following risk factors before making an investment decision involving our securities. The risks discussed herein can adversely affect our business, liquidity, operating results, prospects, and financial condition. This could cause the market price of our securities to decline and could cause you to lose all or part of your investment. The risk factors described below are not the only risks that may affect us. Additional risks and uncertainties not presently known to us also may adversely affect our business, liquidity, operating results, prospects, and financial condition.

Our business strategy partially depends on our ability to originate prime adjustable-rate and hybrid mortgage loans for our portfolio.

Our portfolio of prime adjustable-rate and hybrid mortgage loans will, over time, be comprised primarily of mortgage loans that we originate through NYMC. If NYMC is not able to originate prime adjustable-rate and hybrid mortgage loans that meet our investment criteria at the volumes we expect, the time required for, and the cost associated with, building our portfolio may be greater than expected, which could have an adverse effect on our results of operations and our ability to make distributions to our stockholders.

We may experience a decline in the market value of our assets

The market value of the interest-bearing assets that we have acquired and intend to continue to acquire, most notably mortgage-backed securities and originated or purchased residential mortgage loans and any related hedging instruments, may move inversely with changes in interest rates. We anticipate that increases in interest rates will tend to decrease our net income. A decline in the market value of our investments may limit our ability to borrow or result in lenders requiring additional collateral or initiating margin calls under our repurchase agreements. As a result, we could be required to sell some of our investments under adverse market conditions in order to maintain liquidity. If such sales are made at prices lower than the amortized costs of such investments, we will incur losses. A default under our repurchase agreements could also result in the liquidation of the underlying investments used as collateral and result in a loss equal to the difference between the value of the collateral and the amount owed under our repurchase agreements.

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Our success will depend on our ability to obtain financing to leverage our equity.

If we are limited in our ability to leverage our assets, the returns on our portfolio may be harmed. A key element of our strategy is our use of leverage to increase the size of our portfolio in an attempt to enhance our returns. As of December 31, 2005, our leverage ratio, defined as total financing facilities less subordinated debentures outstanding divided by total stockholders' equity plus subordinated debentures at December 31, 2005 was 11 to 1. Our repurchase agreements are not currently committed facilities, meaning that the counterparties to these agreements may at any time choose to restrict or eliminate our future access to the facilities and we have no other committed credit facilities through which we may leverage our equity. If we are unable to leverage our equity to the extent we currently anticipate, the returns on our portfolio could be diminished, which may limit or eliminate our ability to make distributions to our stockholders.

Interest rate fluctuations may cause losses.

We believe our primary interest rate exposure relates to our mortgage loans, mortgage-backed securities and variable-rate debt, as well as the interest rate swaps and caps that we utilize for risk management purposes. Changes in interest rates may affect our net interest income, which is the difference between the interest income we earn on our interest-earning assets and the interest expense we incur in financing these assets. Changes in the level of interest rates also can affect our ability to originate or acquire mortgage loans or mortgage-backed securities, the value of our assets and our ability to realize gains from the sale of such assets. In a period of rising interest rates, our interest expense could increase while the interest we earn on our assets would not change as rapidly. This would adversely affect our profitability.

Our operating results depend in large part on differences between income received from our assets, net of credit losses, and our financing costs. We anticipate that in most cases, for any period during which our assets are not match-funded, the income from such assets will adjust more slowly to interest rate fluctuations than the cost of our borrowings. Consequently, changes in interest rates, particularly short-term interest rates, may significantly influence our net income. We anticipate that increases in interest rates will tend to decrease our net income. Interest rate fluctuations resulting in our interest expense exceeding our interest income would result in operating losses for us and may limit or eliminate our ability to make distributions to our stockholders.

Our mortgage loan originations historically have been concentrated in specific geographic regions and any adverse market or economic conditions in those regions may have a disproportionately adverse effect on the ability of our customers to make their loan payments.

Our mortgage loan originations have been and may in the future be concentrated in specific geographic regions — predominantly in the mid-Atlantic, Northeast and New England regions of the United States. Adverse market or economic conditions in a particular region may disproportionately increase the risk that borrowers in that region will be unable to make their mortgage payments. In addition, the market value of the real estate securing those mortgage loans could be adversely affected by adverse market and economic conditions in that region. Any sustained period of increased payment delinquencies, foreclosures or losses caused by adverse market or economic conditions in that geographic region could adversely affect both our net interest income from loans in our portfolio as well as our ability to originate, sell and securitize loans, which would significantly harm our revenues, results of operations, financial condition, and business prospects.

A prolonged economic slowdown, a lengthy or severe recession or declining real estate values could harm our operations.

We believe the risks associated with our business will be more acute during periods of economic slowdown or recession if these periods are accompanied by declining real estate values. Declining real estate values will likely reduce our level of new mortgage loan originations, since borrowers often use increases in the value of their existing home to support the refinancing of their existing mortgage loans or the purchase of new homes at higher levels of borrowings. Further, declining real estate values significantly increase the likelihood that we will incur losses on our loans in the event of default. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect both our net interest income from loans in our portfolio as well as our ability to originate, sell and securitize loans, which would significantly harm our revenues, results of operations, financial condition, and business prospects.

Our past operating results have occurred during a period of rapid growth for the residential mortgage industry and may not be indicative of our future operating results.

The growth rate of our origination platform has benefited from low interest rates, a long period of economic growth and strategic acquisitions of mortgage origination platforms. NYMC's loan originations for the year ending December 31, 2005 increased 86% over the prior period, aided in large part to our acquisition of Guaranty Residential Lending, Inc., while according to the MBA's February 7, 2006 Mortgage Finance Forecast, lender origination volume for 2005 was flat versus the prior year. The MBA further projected that overall loan originations will decline in 2006. These projected declines in overall volume of closed loan originations are likely to have a negative effect on our loan origination volume and net income. Accordingly, our historical performance may not be indicative of future results, and our results of operations may be materially adversely affected as interest rates rise. In addition, NYMC's recent and rapid growth may distort some of its ratios and financial statistics and our change in business strategy to include the development of a portfolio of mortgage loans and mortgage-backed securities makes period-to-period comparisons difficult. In light of this growth and change in business strategy, our historical performance and operating and origination data may be of little relevance in predicting our future performance.

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Excessive supply of or reduced demand for mortgage-backed securities in the market for these securities may cause the market to require a higher yield on our mortgage-backed securities and thereby cause a decline in the value of our portfolio.

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

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

Loan prepayment rates may increase, adversely affecting yields on our planned investments.

The value of the assets we have acquired and intend to continue to acquire may be affected by prepayment rates on mortgage loans. Prepayment rates on mortgage loans are influenced by changes in current interest rates and a variety of economic, geographic and other factors beyond our control, and consequently, such prepayment rates cannot be predicted with certainty. In periods of declining mortgage loan interest rates, prepayments on mortgage loans generally increase. If general interest rates decline as well, the proceeds of such prepayments received during such periods are likely to be reinvested by us in assets with lower yields than the yields on the assets that were prepaid. In addition, the market value of any mortgage assets may, because of the risk of prepayment, benefit less than other fixed-income securities from declining interest rates. Conversely, in periods of rising interest rates, prepayments on mortgage loans generally decrease, in which case we would not have the prepayment proceeds available to invest in assets with higher yields. Under certain interest rate and prepayment scenarios, we may fail to recoup fully our cost of acquisition of certain investments.

Our hedging transactions may limit our gains or result in losses.

We use derivatives, primarily interest rate swaps and caps, to hedge our liabilities and this has certain risks, including the risk that losses on a hedging transaction will reduce the amount of cash available for distribution to our stockholders and that such losses may exceed the amount invested in such instruments. Our board of directors has adopted a general policy with respect to the use of derivatives, and which generally allows us to use derivatives when we deem appropriate for risk management purposes, but does not set forth specific guidelines. To the extent consistent with maintaining our status as a REIT, we may use derivatives, including interest rate swaps and caps, options, term repurchase contracts, forward contracts and futures contracts, in our risk management strategy to limit the effects of changes in interest rates on our operations. However, a hedge may not be effective in eliminating the risks inherent in any particular position. Our profitability may be adversely affected during any period as a result of the use of derivatives in a hedging transaction.

The mortgage loans we typically invest in and the mortgage loans underlying the mortgage-backed securities we typically invest in are subject to risks of delinquency, foreclosure and loss, which could result in losses to us.

Residential mortgage loans are secured by residential properties and are subject to risks of delinquency and foreclosure, and risks of loss. The ability of a borrower to repay a loan secured by residential property typically is dependent primarily upon the income or assets of the borrower, but also may be affected by property location and condition, competition and demand for comparable properties, changes in zoning laws, environmental contamination, changes in national, regional or local economic conditions, declines in regional or local real estate values, increases in interest rates, real estate tax rates, changes in governmental rules and regulations and acts of God, terrorism, social unrest and civil disturbances.

In the event of any default under a mortgage loan held directly by us, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral that we can realize upon foreclosure and sale and the principal and accrued interest of the mortgage loan. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process. The occurrence of an event of default or foreclosure could have a material adverse effect on our cash flow from operations and could limit the amount we have available for payment of our debt obligations and distribution to our stockholders. Residential mortgage-backed securities evidence interests in or are secured by pools of residential mortgage loans. Accordingly, the mortgage-backed securities we typically invest in are subject to all of the risks of the underlying mortgage loans.

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We may be required to repurchase mortgage loans that we have sold or to indemnify holders of our mortgage-backed securities.

If any of the mortgage loans that we originate and sell, or that we pledge to secure mortgage-backed securities that we issue in our securitizations, do not comply with the representations and warranties that we make about the characteristics of the loans, the borrowers and the properties securing the loans, we may be required to repurchase those loans in the case of the loans that we have sold, or replace them with substitute loans or cash in the case of securitized loans. If this occurs, we may have to bear any associated losses directly. In addition, in the case of loans that we have sold, we may be required to indemnify the purchasers of such loans for losses or expenses incurred as a result of a breach of a representation or warranty made by us. Repurchased loans typically require an allocation of working capital to carry on our books, and our ability to borrow against such assets is limited, which could limit the amount by which we can leverage our equity. Any significant repurchases or indemnification payments could significantly harm our cash flow and results of operations and limit our ability to make distributions to our stockholders.

We may be subject to losses due to fraudulent and negligent acts on the part of loan applicants, mortgage brokers, other vendors and our employees.

When we originate mortgage loans, we rely upon information supplied by borrowers and other third parties, including information contained in the applicant's loan application, property appraisal reports, title information and employment and income documentation. If any of this information is misrepresented or falsified and if we do not discover it prior to funding a loan, the actual value of such loan may be significantly lower than anticipated. As a practical matter, we generally bear the risk of loss associated with a misrepresentation whether it is made by the loan applicant, the mortgage broker, another third party or one of our employees. A loan subject to a material misrepresentation is typically unsaleable or is subject to repurchase or substitution if it is sold or securitized prior to detection of the misrepresentation. Although we may have rights against persons and entities who made or knew about the misrepresentation, those persons and entities may be difficult to locate, and it is often difficult to collect any monetary losses from them that we may have suffered.

Our operations are subject to a body of complex laws and regulations at the federal, state and local levels.

We must comply with the laws, rules and regulations, as well as judicial and administrative decisions, of all jurisdictions in which we originate mortgage loans, as well as an extensive body of federal laws, rules and regulations. The volume of new or modified laws, rules and regulations applicable to our business has increased in recent years and individual municipalities have also begun to enact laws, rules and regulations that restrict or otherwise affect loan origination activities, and in some cases loan servicing activities. The laws, rules and regulations of each of these jurisdictions are different, complex and, in some cases, in direct conflict with each other. It may be more difficult to identify comprehensively, to interpret accurately, to program properly our information systems and to effectively train our personnel with respect to all of these laws, rules and regulations, thereby potentially increasing the risks of non-compliance with these laws, rules and regulations.

Our failure to comply with these laws, rules and regulations can lead to:

- civil and criminal liability, including potential monetary penalties;
- loss of state licenses or permits required for continued lending and servicing operations;
- legal defenses causing delay or otherwise adversely affecting our ability to enforce loans, or giving the borrower the right to rescind or cancel the loan transaction;
- demands for indemnification or loan repurchases from purchasers of our loans;

class action lawsuits; and
administrative enforcement actions.

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We commenced operations as a newly public company in June 2004 and have a limited operating history.

NYMC, our mortgage banking subsidiary, has a substantial operating history, but we were not formed until September 2003 and had no operations prior to closing our IPO on June 29, 2004. As a result, we have a limited history managing a portfolio of mortgage loans or mortgage-backed securities for you to determine the likelihood of our achieving our investment objectives.

Our executive officers have agreements that provide them with benefits in the event their employment is terminated following a change in control.

We have entered into agreements with the members of our senior management team, Messrs. Schnall, Akre, Wirth, Fierro and Mumma, that provide them with severance benefits if their employment ends under specified circumstances following a change in control. These benefits could increase the cost to a potential acquirer of us and thereby prevent or discourage a change in control that might involve a premium price for your shares or otherwise be in your best interest.

Certain provisions of Maryland law and our charter and bylaws could hinder, delay or prevent a change in control which could have an adverse effect on the value of our securities.

Certain provisions of Maryland law, our charter and our bylaws may have the effect of delaying, deferring or preventing transactions that involve an actual or threatened change in control. These provisions include the following, among others:

- our charter provides that, subject to the rights of one or more classes or series of preferred stock to elect one or more directors, a director may be removed with or without cause only by the affirmative vote of holders of at least two-thirds of all votes entitled to be cast by our stockholders generally in the election of directors;
- our bylaws provide that only our board of directors shall have the authority to amend our bylaws;
- under our charter, our board of directors has authority to issue preferred stock from time to time, in one or more series and to establish the terms, preferences and rights of any such series, all without the approval of our stockholders;
- the Maryland Business Combination Act; and
- the Maryland Control Share Acquisition Act.

Although our board of directors has adopted a resolution exempting us from application of the Maryland Business Combination Act and our bylaws provide that we are not subject to the Maryland Control Share Acquisition Act, our board of directors may elect to make the “business combination” statute and “control share” statute applicable to us at any time and may do so without stockholder approval.

Maintenance of our Investment Company Act exemption imposes limits on our operations.

We have conducted and intend to continue to conduct our operations so as not to become regulated as an investment company under the Investment Company Act of 1940, as amended. We believe that there are a number of exemptions under the Investment Company Act that are applicable to us. To maintain the exemption, the assets that we acquire are limited by the provisions of the Investment Company Act and the rules and regulations promulgated under the Investment Company Act. In addition, we could, among other things, be required either (a) to change the manner in which we conduct our operations to avoid being required to register as an investment company or (b) to register as an investment company, either of which could have an adverse effect on our operations and the market price for our securities.

Failure to qualify as a REIT would adversely affect our operations and ability to make distributions.

We have operated and intend to continue to operate so to qualify as a REIT for federal income tax purposes. Our continued qualification as a REIT will depend on our ability to meet various requirements concerning, among other things, the ownership of our outstanding stock, the nature of our assets, the sources of our income, and the amount of our distributions to our stockholders.

In order to qualify as a REIT, we generally are required each year to distribute to our stockholders at least 90% of our REIT taxable income, excluding any net capital gain. To the extent that we distribute at least 90%, but less than 100% of our REIT taxable income, we will be subject to corporate income tax on our undistributed REIT taxable income. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which certain distributions paid by us with respect to any calendar year are less than the sum of (i) 85% of our ordinary REIT income for that year, (ii) 95% of our REIT capital gain net income for that year, and (iii) 100% of our undistributed REIT taxable income from prior years.

We have made and intend to continue to make distributions to our stockholders to comply with the 90% distribution requirement and to 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 90% distribution requirement and to avoid corporate income tax and the nondeductible excise tax.

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If we fail to qualify as a REIT in any taxable year, we would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. In addition, if we do not qualify for certain statutory relief provisions, we generally would be disqualified from treatment as a REIT for the four taxable years following the year in which we lost our REIT status. Failing to obtain, or losing, our REIT status would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability, and we would no longer be required to make distributions to stockholders. Additionally, we might be required to borrow funds or liquidate some investments in order to pay the applicable tax.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Our principal executive and administrative offices are located at 1301 Avenue of the Americas, 7th floor, New York, New York 10019. We also operate retail loan origination sales offices at 54 (28 branches and 26 branch satellite) locations in 11 states. All of our facilities are leased. The aggregate annual rent for these locations is approximately \$5.0 million.

Further details of our facilities is as follows:

Location	Business Activity	Business Segment
New York City	Corporate Headquarters and Mortgage Origination	Mortgage Portfolio Management and Mortgage Lending
Bridgewater, New Jersey	Wholesale Lending	Mortgage Lending
Various-54 locations in 11 states	Retail Mortgage Origination	Mortgage Lending

Item 3. LEGAL PROCEEDINGS

The Company is at times subject to various legal proceedings arising in the ordinary course of business. The Company does not believe that any of its current legal proceedings, individually or in the aggregate, will have a material adverse effect on its operations or financial condition.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters

Our common stock is traded on the New York Stock Exchange under the trading symbol "NTR". As of March 1, 2006, we had 18,258,221 shares of common stock outstanding, and as of March 6, 2006, there were 88 holders of record. This figure does not reflect the beneficial ownership of shares held in nominee name.

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The following table sets forth, for the periods indicated, the high, low and quarter end closing sales prices per share of common stock on the NYSE and the cash dividends paid or payable per share of common stock.

	Common Stock Prices			Cash Dividends		
	High	Low	Close	Declared	Paid or Payable	Amount per Share
Year Ended December 31, 2005						
Fourth quarter	\$ 7.50	\$ 5.51	\$ 6.62	12/09/05	1/26/06	\$ 0.21
Third quarter	9.20	7.00	7.47	9/26/05	10/26/05	0.21
Second quarter	10.23	9.04	9.07	6/02/05	07/26/05	0.25
First quarter	11.30	9.90	10.22	03/11/05	04/26/05	0.25

	Common Stock Prices			Cash Dividends		
	High	Low	Close	Declared	Paid or Payable	Amount per Share
Year Ended December 31, 2004						
Fourth quarter	\$ 11.34	\$ 8.90	\$ 11.20	12/16/04	1/26/05	\$ 0.24
Third quarter	9.90	8.55	9.35	9/16/04	10/26/04	0.16
Second quarter	9.15	8.69	8.86	(1)	(1)	(1)

(1) The Company closed its IPO on June 29, 2004. As a result, no dividend for the two days of the quarter ended June 30, 2004 was declared or paid.

In order to qualify for the tax benefits accorded to a REIT under the Code, we intend to pay quarterly dividends such that all or substantially all of our taxable income each year (subject to certain adjustments) is distributed to our stockholders. All of the distributions that we make will be at the discretion of our Board of Directors and will depend on our earnings and financial condition, maintenance of REIT status and any other factors that the Board of Directors deems relevant.

During 2005, taxable dividend distributions for the Company's common stock were \$0.95 per share. The Company's common stock is currently listed under the CUSIP #649604-10-5 and trades under the NYSE ticker symbol NTR. For tax reporting purposes, the 2005 taxable dividend distributions will be classified as follows: \$0.81532 as ordinary income and \$0.13468 as a return of capital. The following table contains this information on a quarterly basis.

Declaration Date	Record Date	Payment Date	Cash Distribution per share	Income Dividends	Short-term Capital Gain	Total Taxable Ordinary Dividend	Return of Capital
12/16/04	1/6/05	1/26/05	\$ 0.24	\$ 0.21558	\$ 0.02076	\$ 0.23634	\$ 0.00366
3/11/05	4/6/05	4/26/05	\$ 0.25	\$ 0.18931	\$ 0.03005	\$ 0.21936	\$ 0.03064
6/2/05	7/14/05	7/26/05	\$ 0.25	\$ 0.15421	\$ 0.07059	\$ 0.22480	\$ 0.02520
9/26/05	10/6/05	10/26/05	\$ 0.21	\$ 0.13482	\$ —	\$ 0.13482	\$ 0.07518
Total 2005 Cash Distributions			\$ 0.95	\$ 0.69392	\$ 0.12140	\$ 0.81532	\$ 0.13468

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The Company has not purchased any of its registered equity securities in the twelve months ended December 31, 2005.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 31, 2005 with respect to compensation plans under which equity securities of the Company are authorized for issuance. The Company has no such plans that were not approved by security holders.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans
Equity compensation plans approved by security holders.	566,500	\$ 9.56	139,500

Item 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data is derived from our audited consolidated financial statements and the notes thereto for the periods presented and should be read in conjunction with the more detailed information therein and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this annual report. Operating results are not necessarily indicative of future performance.

The selected financial data as of and for the year ended December 31, 2005 and December 31, 2004 includes the operations of NYMT and its consolidated subsidiaries. Included in the selected financial data for the year ended December 31, 2004 are the results of NYMT for the period beginning June 29, 2004 (the closing date of our IPO) and NYMC for the year-to-date period beginning January 1, 2004. Prior to our IPO, NYMT had no operations and, as a result, for all years prior to 2004, the financial data presented is for NYMC only.

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Selected Consolidated Financial and Other Data

	For the Year Ended December 31,				
	2005	2004	2003	2002	2001
	(Dollar amounts in thousands, except per share data)				
Operating Data:					
<i>Revenues:</i>					
Interest income	\$ 77,476	\$ 27,299	\$ 7,609	\$ 2,986	\$ 1,570
Interest expense	60,104	16,013	3,266	1,673	1,289
Net Interest Income	17,372	11,286	4,343	1,313	281
Gains on sales of mortgage loans	26,783	20,835	23,031	9,858	6,429
Brokered loan fees	9,991	6,895	6,683	5,241	3,749
Gain on sale of securities and related hedges	2,207	774	—	—	—
Impairment loss on investment securities	(7,440)	—	—	—	—
Miscellaneous	232	227	45	15	48
Total other income	31,773	28,731	29,759	15,114	10,226
<i>Expenses:</i>					
Salaries and benefits	30,979	17,118	9,247	5,788	3,644
Brokered loan expenses	7,543	5,276	3,734	2,992	2,174
General and administrative expenses	24,512	13,935	7,395	3,897	2,808
Total expenses	63,034	36,329	20,376	12,677	8,626
(Loss)/income before income tax benefit	(13,889)	3,688	13,726	3,750	1,881
Income tax benefit	8,549	1,259	—	—	—
Net (loss)/income	\$ (5,340)	\$ 4,947	\$ 13,726	\$ 3,750	\$ 1,881
Basic (loss)/income per share	\$ (0.30)	\$ 0.28	—	—	—
Diluted (loss)/income per share	\$ (0.30)	\$ 0.27	—	—	—
Balance Sheet Data:					
Cash and cash equivalents	\$ 9,056	\$ 7,613	\$ 4,047	\$ 2,746	\$ 1,549
Mortgage loans held in securitization trusts or held for investment	780,670	190,153	—	—	—
Investment securities available for sale	716,482	1,204,745	—	—	—
Mortgage loans held for sale	108,271	85,385	36,169	34,039	9,894
Due from loan purchasers and escrow deposits pending loan closings	123,247	96,140	58,862	40,621	20,707
Total assets	1,791,293	1,614,762	110,081	83,004	34,561
Financing arrangements	1,391,685	1,470,596	90,425	73,016	29,705
Collateralized debt obligations	228,226	—	—	—	—
Subordinated debentures	45,000	—	—	—	—
Subordinated notes due to members	—	—	14,707	—	—
Total liabilities	1,690,335	1,495,280	110,555	76,504	30,891

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Equity (deficit)	100,958	119,482	(474)	6,500	3,670
Investment Portfolio Data:					
Average yield on investment portfolio	4.16	3.90	—	—	—
Net duration of interest earning assets to liabilities	0.91	0.42	—	—	—
Originations Data:					
Purchase originations	\$ 1,985,651	\$ 1,089,499	\$ 803,446	\$ 469,404	\$ 374,454
Refinancing originations	1,451,720	756,006	796,879	407,827	209,748
Total originations	\$ 3,437,371	\$ 1,845,505	\$ 1,600,325	\$ 877,231	\$ 584,202
Fixed-rate originations	\$ 1,562,151	\$ 878,749	\$ 890,172	\$ 518,382	\$ 398,056
Adjustable-rate originations	1,875,220	966,756	710,153	358,849	186,146
Total originations	\$ 3,437,371	\$ 1,845,505	\$ 1,600,325	\$ 877,231	\$ 584,202
Total mortgage sales	\$ 2,875,288	\$ 1,435,340	\$ 1,234,848	\$ 633,223	\$ 404,470
Brokered originations	562,083	410,165	365,477	244,008	179,732
Total originations	\$ 3,437,371	\$ 1,845,505	\$ 1,600,325	\$ 877,231	\$ 584,202
Originated Mortgage Loans Retained for Investment:					
Par amount	\$ 555.2	\$ 95.1	n/a	n/a	n/a
Weighted average middle credit score	734	743	n/a	n/a	n/a
Weighted average LTV	69.62%	66.58%	n/a	n/a	n/a
Mortgage Loans Sold:					
Weighted average whole loan sales price over par - non-FHA ⁽¹⁾	1.34%	1.70%	1.75%	1.51%	1.34%
Weighted average whole loan sales price over par - FHA ⁽¹⁾	3.63%	2.96%	4.10%	3.46%	3.10%
Weighted average whole loan sales price over par - all mortgage loans sold	1.52%	2.02%	1.75%	1.52%	1.37%
Weighted average middle credit score non-FHA ⁽¹⁾	704	715	—	—	—
Weighted average middle credit score FHA ⁽¹⁾	633	631	629	668	650
Weighted average middle credit score all mortgage loans sold	696	703	719	716	713
Weighted average LTV non-FHA ⁽¹⁾	74.58%	71.95%	68.47%	67.23%	71.38%
Weighted average LTV FHA ⁽¹⁾	92.76%	92.12%	88.82%	91.78%	86.82%
Weighted average LTV all mortgage loans sold	76.65%	75.88%	68.67%	67.42%	71.71%
Operational/Performance Data:					
Salaries, general and administrative expense as a percentage of total loans originated	1.61%	1.68%	1.04%	1.10%	1.10%
Number of state licensed or exempt from licensing at period end	43	40	15	13	7
Number of locations at period end	54	66	15	13	7
Number of employees at period end	802	782	335	184	147
Dividends declared per common share	\$ 0.92	\$ 0.40	—	—	—

(1)Beginning near the end of the first quarter of 2004, our volume of FHA loans increased; prior to such time the volume of FHA loan originations was immaterial. Generally, FHA loans have lower average balances and FICO scores which are reflected in the statistics above. All FHA loans are currently and will be in the future sold or brokered to third parties.

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Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

New York Mortgage Trust, Inc. ("NYMT," the "Company," "we," "our" and "us") is a self-advised residential mortgage financial company that originates, acquires, retains and securitizes mortgage loans and mortgage-backed securities. Our wholly-owned taxable REIT subsidiary ("TRS"), The New York Mortgage Company, LLC ("NYMC"), is a residential mortgage banking company that originates a wide range of mortgage loans, with a particular focus on prime adjustable- and fixed-rate, first lien, residential purchase mortgage loans. Prior to the simultaneous completion of our acquisition of NYMC and our initial public offering ("IPO") in 2004, NYMC sold all of the loans it originated to third parties, and also brokered loans to other mortgage lenders prior to funding. NYMC, which originates residential mortgage loans through a network of 28 full-service loan origination locations and 26 satellite loan origination locations, is presently licensed or authorized to do business in 43 states and the District of Columbia.

Strategic Overview

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

We aggregate a portfolio comprised mainly of high credit quality, adjustable-rate mortgage loans until the portfolio reaches a size sufficient for us to securitize such loans. We obtain the loans we securitize from either our TRS, NYMC, or from third parties. Our first securitization occurred on February 25, 2005 and we completed our second and third loan securitizations on July 28, 2005 and December 20, 2005, respectively. These securitization transactions, through which we financed the adjustable-rate and hybrid mortgage loans that we retained, were structured as financings for both tax and financial accounting purposes. Therefore, we do not expect to generate a gain or loss on sales from these activities, and, following the securitizations, the loans are classified on our consolidated balance sheet as assets. For our first two securitizations, we retained all of the resultant securities and financed such securities with repurchase agreements; for our third securitization we sold investment grade securities and the securitization debt is recorded as a liability.

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

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

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Funding Diversification. We strive to maintain and achieve a balanced and diverse funding mix to finance our investment portfolio and assets. As a mortgage lender, we rely primarily on secured warehouse lines of credit for our funding needs on loans held for sale to third parties. Since our IPO in June 2004, we rely primarily on repurchase agreements in order to finance our investment portfolio of residential loans and mortgage-backed securities. As of December 31, 2005, we have \$5.4 billion of commitments to provide repurchase agreement financing through 23 different counterparties. During 2005, we further diversified our sources of financing with the issuance of \$45 million of trust preferred securities classified as subordinated debentures.

On our first two securitizations (collateralized debt obligations, or "CDO") of mortgage loans, we retained 100% of the issued securities and financed such securities with repurchase agreements. The creation of mortgage-backed securities of our self-originated mortgage loans in this manner provides an asset with better liquidity and longer-term financing at better rates as opposed to financing whole loans through warehouse lines. In December, 2005 we completed our third securitization of \$235.0 million of self-originated ARM loans and sold the majority of the securities to third parties. Because we did not retain all of the resultant securities as in prior CDOs, this securitization eliminated the risk of short-term financing (reducing the asset to liability duration gap, which is the difference between the estimated maturities or lives of our earning assets and related financing facilities) and the mark-to-market pricing risk inherent in financing through repurchase agreements or warehouse lines of credit; as a result of this permanent financing we are not subject to margin calls on the assets of this CDO.

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

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

We believe that our credit performance is reflective of the high credit quality of the loans we originate or acquire for securitization, our prudent in-house underwriting, property valuation methods and review, our overall investment policies and prudent management of our delinquent loan portfolio. We believe that our delinquencies of 0.25% of the total par balance of our investment portfolio of residential loans at December 31, 2005 reflect strong credit characteristics and the credit culture of our underwriting and investment philosophy. The weighted average seasoning of loans in our investment portfolio of mortgage loans was approximately 12 months at December 31, 2005.

Interest Rate Risk Management. Another primary risk to our investment portfolio of mortgage loans and mortgage-backed securities is interest rate risk. We have a match funding philosophy in which we use hedging instruments to fix or cap the interest rates on our short-term, CDO and other financing arrangements that finance our investment portfolio of mortgage loans and securities. We hedge our financing costs in an attempt to maintain a net duration gap of less than one year; as of December 31, 2005, our net duration gap was approximately 11 months.

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

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

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

Financial Overview

Income. Our primary sources of income are net interest income on our loans and residential investment securities and gain on sale of mortgage loans. Net interest income is the difference between interest income, which is the income that we earn on our loans and residential investment securities and interest expense, which is the interest we pay on borrowings and subordinated debt. Net interest income is also earned on the bankered loan origination production of our TRS for the period of time from when a loan is closed to the sale of such loan to a third party.

Income from the gain on sale of mortgage loans to third parties is the difference between the sales price and the adjusted cost basis of originated loans when title transfers. The adjusted cost basis of the loans includes the original principal amount adjusted for deferrals of origination and commitment fees received, net of direct loan origination costs (including commissions and salaries for employees directly responsible for such originations) paid.

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Other significant sources of income include fees received on brokered loans and income from the sale of securities and related hedges.

Expenses. Non-interest expenses we incur in operating our business consist primarily of salary and employee benefits, brokered loan expenses, occupancy and equipment expenses, marketing and promotion expenses, and other general and administrative expenses.

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

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

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

Marketing and promotion expenses include the cost of print, radio and internet advertisements, promotions, third-party marketing services, public relations and sponsorships.

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

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

Description of Businesses

Mortgage Lending

Our mortgage lending operations are important to our financial results as they either produce the loans that will ultimately collateralize the mortgage securities that we will hold in our portfolio or provide us the flexibility to sell the loans for gain on sale revenue. We primarily originate prime, first-lien, residential mortgage loans and, to a lesser extent, second lien mortgage loans, home equity lines of credit, and bridge loans. We originate a wide range of mortgage loan products including adjustable-rate mortgage (“ARM”) loans which may have an initial fixed rate period, and fixed-rate mortgages. Since the completion of our IPO, we sell or retain and aggregate our self-originated, high-quality, shorter-term ARM loans in order to pool them into mortgage securities. The fixed rate loans we originate and any ARM loans not meeting our investment criteria continue to be sold to third parties. For the years ended December 31, 2005 and 2004, we originated \$2.9 billion and \$1.4 billion in mortgage loans for sale to third parties, respectively. We recognized gains on sales of mortgage loans totaling \$26.8 million and \$20.8 million for the years ended December 31, 2005 and 2004, respectively.

Subsequent to our IPO in June 2004, we have sold or retained for our portfolio the high quality, adjustable-rate mortgage loans that we originate. For the years ended December 31, 2005 and 2004, we originated and retained \$555.2 million and \$95.1 million of such loans, respectively. When we retain mortgage loans that we originate, we

record such assets at GAAP (“GAAP” means generally accepted accounting principles) cost. The GAAP cost is then amortized on the effective interest method over the estimated lives of the retained loans. For the years ended December 31, 2005 and 2004, the GAAP cost of loans was approximately 58 and 45 basis points over par, respectively. Furthermore, when we retain loans that we originate, we are not able to recognize gain on sale revenues (and thus higher GAAP net income) as we would have if such loans were sold to third parties. Instead, the value of the gain on sale revenue inures to the benefit of our investment portfolio in the form of a lower cost asset and thus incrementally higher yield during the lives of retained loans. We estimate that the foregone premium we would have otherwise received had retained loans been sold to third parties is approximately \$7.5 million and \$2.0 million for the years ended December 31, 2005 and 2004, respectively.

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Our wholesale lending strategy has historically been a small component of our loan origination operations. We have a network of non-affiliated wholesale loan brokers and mortgage lenders who submit loans to us. We maintain relationships with these wholesale brokers and, as with retail loan originations, will underwrite, process, and fund wholesale loans through our centralized facilities and processing systems. In order to further diversify our origination network, during 2005, we began to expand our wholesale loan origination capacity with the creation of a division specifically for wholesale loan originations.

We also sold broker loans to third party mortgage lenders for which we receive a broker fee. For the years ended December 31, 2005 and 2004, we originated \$562.1 million and \$410.1 million in brokered loans, respectively. We recognized net brokering income totaling \$2.4 million and \$1.6 million during the years ended December 31, 2005 and 2004, respectively.

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

A significant risk to our mortgage lending operations is liquidity risk - the risk that we will not have financing facilities and cash available to fund and hold loans prior to their sale or securitization. We maintain lending facilities with large banking and investment institutions to reduce this risk. On a short-term basis, we finance mortgage loans using warehouse lines of credit and repurchase agreements. Details regarding available financing arrangements and amounts outstanding under those arrangements are included in "Liquidity and Capital Resources" below.

Mortgage Portfolio Management

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

• invest in assets generated primarily from our self-origination of high-credit quality, single-family, residential mortgage loans;

• invest in mortgage-backed securities originated by others, including ARM securities and collateralized mortgage obligation floaters ("CMO Floaters");

- generally operate as a long-term portfolio investor;

• finance our portfolio by entering into repurchase agreements and as we aggregate mortgage loans for investment, issuing mortgage-backed bonds from time to time; and

• generate earnings from the return on our mortgage securities and spread income from our mortgage loan portfolio.

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

decreasing at a faster rate than the interest on our investment assets.

As of December 31, 2005, our mortgage securities portfolio consisted of 100% AAA- rated or Fannie Mae, Freddie Mac or Ginnie Mae-guaranteed (“FNMA/FHLMC/GNMA”) mortgage securities. This allows the company to obtain excellent financing rates as well as enhanced liquidity. The loans held in securitization trusts and mortgage loans held for investment consisted of high-credit quality prime adjustable rate mortgages with initial reset periods of no greater than seven years with 99.7% with initial reset periods of five years or less. The loan portfolio has had no credit losses to date. Our portfolio strategy for ARM loan originations is to acquire only high-credit quality ARM loans for our securitization process thereby limiting future potential losses.

Such assets are evaluated for impairment on a quarterly basis or, if events or changes in circumstances indicate that these assets or the underlying collateral may be impaired, on a more frequent basis. We evaluate whether these assets are considered impaired, whether the impairment is other-than-temporary and, if the impairment is other-than-temporary, recognize an impairment loss equal to the difference between the asset’s amortized cost basis and its fair value. We recorded an impairment loss of \$7.4 million in the fourth quarter of 2005 because we concluded that we no longer had the intent to hold certain lower-yielding mortgage-backed securities until their values recovered. This impairment was not due to any underlying credit issues but was related to our intent to no longer hold identified lower-yield securities and to re-position our portfolio by selling such securities and replacing them with higher yield securities with similar credit characteristics in order to earn higher net interest spread in the future.

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Known Material Trends and Commentary

Mortgage Lending. The U.S. residential mortgage market has experienced considerable growth during the past ten years according to The Bond Market Association and the Federal Reserve. According to the MBA's February 7, 2006 Mortgage Finance Forecast, lenders originated \$2.8 trillion in 2005, unchanged from the amount originated in 2004. However, the mix of origination volume changed substantially. In 2004, purchase mortgages comprised 47% of total originations while in 2005; purchase mortgages represented 58% of total originations. The chart below illustrates our origination volume growth for the past two years relative to the MBA industry projections:

For the year ended December 31, 2005, our total originations of residential mortgage loans, aided in part by our acquisition of selected Guaranteed Residential Lending ("GRL") branches, increased by \$1.6 billion, or 86%, versus the comparable period for the prior year. This 86% increase in our mortgage originations compares favorably to the marginal change for total U.S. 1-to-4-family mortgage originations for the period estimated in the February 7, 2006 Mortgage Finance Forecast. The following chart summarizes the our loan origination volume and characteristics for each of the four quarters of 2005 relative to our 2004 historical origination production:

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With regard to purchase mortgage originations, statistics from the MBA indicate that since 1990, the volume of purchase mortgages year-after-year steadily increases throughout various economic and interest rate cycles. While management is unable to predict borrowing habits, we believe that historical trends indicate that the purchase mortgage market is relatively stable and our focus on retail based purchase origination volume contributes to consistent originations growth. For the year ended December 31, 2005, our purchase mortgage originations, aided in part by our acquisition of GRL, have increased by \$896.2 million, or 82%, over the comparable period for the prior year. This increase presently exceeds the 13% increase forecasted in the MBA's February 7, 2006 Mortgage Finance Forecast for total U.S. 1-to-4-family purchase mortgage originations for the period. The following chart summarizes the our purchase loan origination volume and characteristics for each of the four quarters of 2005 relative to our prior year purchase loan historical origination production:

For the year ended December 31, 2005, our originations of mortgage refinancings, aided in part by our acquisition of GRL, have increased by \$695.7, million or 92%, versus the comparable period for the prior year. This 92% increase in our origination of mortgage refinancings compares favorably to the 12% decrease for total U.S. 1-to-4-family refinance mortgage originations for the period estimated in the MBA's February 7, 2006 Mortgage Finance Forecast.

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In the February 7, 2006 forecast, the MBA projected that mortgage loan volumes will decrease to \$2.2 trillion in 2006, primarily due to an expected continued decline in the volume of loan refinancings. For the year ended December 31, 2005, NYMC's residential purchase loan originations represented 58% of NYMC's total residential mortgage loan originations as measured by principal balance, as compared to an industry-wide percentage of 54% for one-to-four family mortgage loans as estimated in the MBA's February 7, 2006 Mortgage Finance Forecast. We believe that our concentration on purchase loan originations has caused our loan origination volume to be less susceptible to the industry-wide decline in origination volume that has resulted from rising interest rates. We believe that the market for mortgage loans for home purchases is less susceptible than the refinance market to downturns during periods of increasing interest rates, because borrowers seeking to purchase a home do not generally base their decision to purchase on changes in interest rates alone, while borrowers that refinance their mortgage loans often make their decision as a direct result of changes in interest rates. Consequently, while our referral-based marketing strategy may cause our overall loan origination volume during periods of declining interest rates to lag our competitors who rely on mass marketing and advertising and who therefore capture a greater percentage of loan refinance applications during those periods, we believe this strategy enables us to sustain stronger home purchase loan origination volumes than those same competitors during periods of flat to rising interest rates. In addition, we believe that our referral-based business results in relatively higher gross margins and lower advertising costs and loan generation expenses than most other mortgage companies whose business is not referral-based.

State and local governing bodies are focused on certain practices engaged in by certain participants in the mortgage lending business relating to fees borrowers incur in obtaining a mortgage loan - generally termed "predatory lending" within the mortgage industry. In several instances, states or local governing bodies have imposed strict laws on lenders to curb such practices. To date, these laws have had an insignificant impact on our business. We have capped fee structures consistent with those adopted by federal mortgage agencies and have implemented rigid processes to ensure that our lending practices are not predatory in nature.

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

The mortgage REIT industry has seen a significant increase in capital raising in the public markets. Additionally, there have been several new entrants, to the mortgage REIT business and other mortgage lender conversions (or proposed conversions) to REIT status. While many of these entrants focus on sub-prime and nonconforming mortgage lending, there are also entrants which will compete with our focus on the high-quality and prime mortgage marketplace. This increased activity may impact the pricing and underwriting guidelines within the high-quality and prime marketplace. We have not changed our guidelines or pricing in response to this activity nor do we have any plans to make such changes at this time.

Significance of Estimates and Critical Accounting Policies

We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America, or GAAP, many of which require the use of estimates, judgments and assumptions that affect reported

amounts. These estimates are based, in part, on our judgment and assumptions regarding various economic conditions that we believe are reasonable based on facts and circumstances existing at the time of reporting. The results of these estimates affect reported amounts of assets, liabilities and accumulated other comprehensive income at the date of the consolidated financial statements and the reported amounts of income, expenses and other comprehensive income during the periods presented.

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

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

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

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

Impairment of and Basis Adjustments on Securitized Financial Assets. As previously described herein, we regularly securitize our mortgage loans and retain the beneficial interests created. In addition, we may purchase such beneficial interests from third parties. Such assets are evaluated for impairment on a quarterly basis or, if events or changes in circumstances indicate that these assets or the underlying collateral may be impaired, on a more frequent basis. We evaluate whether these assets are considered impaired, whether the impairment is other-than-temporary and, if the impairment is other-than-temporary, recognize an impairment loss equal to the difference between the asset’s amortized cost basis and its fair value. These evaluations require management to make estimates and judgments based on changes in market interest rates, credit ratings, credit and delinquency data and other information to determine whether unrealized losses are reflective of credit deterioration and our ability and intent to hold the investment to maturity or recovery. This other-than-temporary impairment analysis requires significant management judgment and we deem this to be a critical accounting estimate. We recorded an impairment loss of \$7.4 million during 2005, because we concluded that we no longer had the intent to hold certain lower-yielding mortgage-backed securities until their values recovered. At December 31, 2005, we have an unrealized loss of \$4.1 million on the remaining securities in our portfolio, which we do not consider to represent an other than temporary impairment.

Loan Loss Reserves on Mortgage Loans. We evaluate a reserve for loan losses based on management’s judgment and estimate of credit losses inherent in our portfolio of residential mortgage loans held for sale and mortgage loans held in securitization trusts. The estimation involves the consideration of various credit-related factors including, but not limited to, current economic conditions, the credit diversification of the portfolio, loan-to-value ratios, delinquency status, historical credit losses, purchased mortgage insurance and other factors deemed to warrant consideration. If the credit performance of our mortgage loans held for investment or held in the securitization trusts deviates from expectations, the allowance for loan losses is adjusted to a level deemed appropriate by management to provide for estimated probable losses in the portfolio. Two critical assumptions used in estimating the loan loss reserve are frequency and severity. Frequency is the assumed rate of default or the expected rate at which loans may go into foreclosure over the life of the loans. Severity represents the expected rate of realized loss upon disposition/resolution of the collateral that has gone into foreclosure. Based on the performance and credit characteristics of the loan portfolio as of December 31, 2005, management established a loan loss reserve of \$12.1 thousand.

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

- creating securities backed by mortgage loans which we will continue to hold and finance that will be more liquid than holding whole loan assets; or

·securing long-term collateralized financing for our residential mortgage loan portfolio and matching the income earned on residential mortgage loans with the cost of related liabilities, otherwise referred to as a match funding our balance sheet.

Residential mortgage loans are transferred to a separate bankruptcy-remote legal entity from which private-label multi-class mortgage-backed notes are issued. On a consolidated basis, securitizations are accounted for as secured financings as defined by SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, and, therefore, no gain or loss is recorded in connection with the securitizations. Each securitization entity is evaluated in accordance with Financial Accounting Standards Board Interpretation, or FIN, 46(R), *Consolidation of Variable Interest Entities*, and we have determined that we are the primary beneficiary of the securitization entities. As such, the securitization entities are consolidated into our consolidated balance sheet subsequent to securitization. Residential mortgage loans transferred to securitization entities collateralize the mortgage-backed notes issued, and, as a result, those investments are not available to us, our creditors or stockholders. All discussions relating to securitizations are on a consolidated basis and do not necessarily reflect the separate legal ownership of the loans by the related bankruptcy-remote legal entity.

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

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

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

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

on the financial condition, results of operations, or liquidity of the Company.

Overview of Performance

For the year ended December 31, 2005, we reported a net loss of \$5.3 million, as compared to net income of \$4.9 million for the year ended December 31, 2004. Our revenues were driven largely from increases in interest income on investments in mortgage loans and mortgage securities (our “mortgage portfolio management” segment) and gain on sale income from loan originations sold to third parties (our “mortgage lending” segment) during the period. The change in net income is attributed to an increase in gain on sale revenues and net interest income from our investment portfolio. These gains were offset by an impairment charge of \$7.4 million in the fourth quarter related to \$388.3 million of available for sale securities that we anticipate selling in 2006 in order to rebalance our portfolio with higher yielding assets, one-time severance charges of \$3.0 million, and increased expenses incurred for and subsequent to the acquisition of multiple retail loan origination locations during 2004. Also, the execution of our core business strategy to retain selected self-originated loans in our portfolio (this involves foregoing the gain on sale premiums we would have otherwise received when such loans are sold to third parties), which reduced the growth in gain on sale income from what it otherwise would have been.

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As upfront expenses related to the acquisition and/or infrastructure enhancements of our loan origination capacity begin to result in higher production volume and lowered stabilized costs, the mortgage lending segment is expected to become a more meaningful contributor to our financial performance in the future. For the year ended December 31, 2005, total residential originations, including brokered loans, were \$3.4 billion as compared to \$1.8 billion and \$1.6 billion for the same period of 2004 and 2003, respectively. The increase in our loan origination levels for the year ended December 31, 2005 as compared to the same period of 2004 and 2003 is the result of the addition of sales personnel and branch offices primarily in new and underserved markets. Total employees increased to 802 at December 31, 2005 from 782 at December 31, 2004; for 2005 we also had the benefit of a full year's service from 275 employees related to our GRL acquisition in November 2004. Included in the total number of employees, the number of loan officers dedicated to originating loans decreased to 329 at December 31, 2005 from 344 at December 31, 2004. Full-service loan origination locations decreased to 28 offices and 26 satellite loan origination locations at December 31, 2005 from an aggregate of 66 locations at December 31, 2004.

Summary of Operations and Key Performance Measurements

For the year ended December 31, 2005, our net income was dependent upon our mortgage portfolio management operations and the net interest (interest income on portfolio assets net of the interest expense and hedging costs associated with the financing of such assets) generated from our portfolio of mortgage loans held for investment, mortgage loans held in the securitization trusts and residential mortgage-backed securities in our portfolio management segment. The following table presents the components of our net interest income from our investment portfolio of mortgage securities and loans for the year ended December 31, 2005:

	Amount (Dollar s in Millions)	Average Outstanding Balance	Effective Rate
Net Interest Income Components:			
Interest Income			
Investment securities and loans held in the securitization trusts	\$ 60,988	\$ 1,361.2	4.48%
Mortgage loans held for investment	7,778	146.6	5.31%
Amortization of premium	(6,041)	—	(0.40)%
Total interest income	\$ 62,725	\$ 1,507.8	4.16%
Interest Expense			
Repurchase agreements	\$ 43,107	\$ 1,283.3	3.31%
Warehouse borrowings	5,847	142.7	4.04%
Interest rate swaps and caps	(1,106)	—	(0.08)%
Total interest expense	\$ 47,848	\$ 1,426.0	3.31%
Net Interest Income	\$ 14,877		0.85%

The key performance measures for our portfolio management activities are:

- net interest spread on the portfolio;

• characteristics of the investments and the underlying pool of mortgage loans including but not limited to credit quality, coupon and prepayment rates; and

- return on our mortgage asset investments and the related management of interest rate risk.

For the year ended December 31, 2005, our net income was also dependent upon our mortgage lending operations and originations from our mortgage lending segment, which include the mortgage loan sales (“mortgage banking”) and mortgage brokering activities on residential mortgages sold or brokered to third parties. Our mortgage banking activities generate revenues in the form of gains on sales of mortgage loans to third parties and ancillary fee income and interest income from borrowers. Our mortgage brokering operations generate brokering fee revenues from third party buyers. When we retain a portion of our loan originations for our investment portfolio, we do not realize the gain on sale premiums we would have otherwise recognized had these loans been sold to third parties and such loans retained on our balance sheet at cost. As a result, revenues in our mortgage banking segment are lower and the book value of these assets on our balance sheet, which are accounted for on a cost basis, may differ from their fair market value.

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A breakdown of our loan originations for the year ended December 31, 2005 follows:

Description	Number of Loans	Aggregate Principal Balance (\$000's)	Percentage of Total Principal	Weighted Average Interest Rate	Average Loan Size
Purchase mortgages	9,174	\$ 1,985.7	57.8%	6.33%	\$ 216,443
Refinancings	5,539	1,451.7	42.2%	5.99%	262,091
Total	14,713	\$ 3,437.4	100.0%	6.19%	233,628
Adjustable rate or hybrid	6,296	\$ 1,875.2	54.6%	6.00%	297,843
Fixed rate	8,417	1,562.2	45.4%	6.41%	185,595
Total	14,713	\$ 3,437.4	100.0%	6.19%	233,628
Bankered	12,654	\$ 2,875.3	83.6%	6.25%	227,224
Brokered	2,059	562.1	16.4%	5.84%	272,988
Total	14,713	\$ 3,437.4	100.0%	6.19%	\$ 233,628

The key performance measures for our origination activities are:

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

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

Year Ended December 31, 2005 Financial Highlights

- Net income for the Company's Mortgage Portfolio Management segment totaled \$6.2 million for the year ended December 31, 2005 after recognition of an impairment loss on investment securities of \$7.4 million.
 - Consolidated net loss totaled \$5.3 million for the year ended December 31, 2005.
- Completion of three securitizations totaling \$896.9 million in residential mortgage loans, respectively.
 - Issuance of \$45.0 million of trust preferred securities.
- Total assets increased to \$1.8 billion as of December 31, 2005 from \$1.6 billion as of December 31, 2004.

• Aided in part by the GRL acquisition, 89% growth in loan originations of \$3.4 billion for the year ended December 31, 2005 as compared to \$1.8 million for the year ended December 31, 2004 and relative to an overall industry increase of 0.7% for the year ended December 31, 2005 as projected by the MBA.

•

During the second quarter the Company undertook cost-cutting initiatives which reduced its overall recurring annual compensation expenses by an estimated \$3.7 million.

- The Company's new wholesale lending division began operations.

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Financial Condition**Balance Sheet Analysis - Asset Quality****Investment Portfolio Related Assets**

Mortgage Loans Held in Securitization Trusts and Mortgage Loans Held for Investment. We retain in our portfolio substantially all of the adjustable-rate mortgage loans that we originate and that meet our investment criteria and portfolio requirements. These loans are classified as “mortgage loans held for investment” during a period of aggregation and until the portfolio reaches a size sufficient for us to securitize such loans. Once securitized into sequentially rated classes, loans are classified as “mortgage loans held in securitization trusts.”

The following table details Mortgage Loans Held for Investment at December 31, 2005 (dollar amounts in thousands):

Category	Par Value	Coupon	Carrying Value	Yield
Mortgage Loans Held for Investment	\$ 4,054	5.84%	\$ 4,060	5.56%

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

- New York Mortgage Trust 2005-1 (“NYMT ’05-1”), February 25, 2005; \$419.0 million of loans
- New York Mortgage Trust 2005-2 (“NYMT ’05-2”), July 28, 2005; \$242.9 million of loans
- New York Mortgage Trust 2005-3 (“NYMT ’05-3”), December 20, 2005; \$235.0 of loans

The following table details Mortgage Loans Held in Securitization Trusts (dollar amounts in thousands):

Category	Par Value	Coupon	Carrying Value	Yield
Mortgage Loans Held in Securitization Trusts	\$ 771,451	5.17%	\$ 776,610	5.49%

At December 31, 2005 mortgage loans held for investment and mortgage loans held in securitization trusts totaled \$780.7 million, or 44% of total assets. Of this mortgage loan investment portfolio 100% are traditional or hybrid ARMs and 74.9% are ARM loans that are interest only. On our hybrid ARMs, interest rate reset periods are predominately seven years or less and the interest-only/amortization period is typically 10 years, which mitigates the “payment shock” at the time of interest rate reset. No loans in our investment portfolio of mortgage loans are option-ARMs or ARMs with negative amortization.

Prior to 2005, we had no loans held in securitization trusts. The following table sets forth the composition of our loans held for investment and in securitization trusts as of December 31, 2005:

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

	# of Loans	Par Value	Carrying Value
Loan Characteristics:			
Mortgage loans held in securitization trusts	1,609	\$ 771,451	\$ 776,610
Mortgage loans held for investment	11	4,054	4,060
Total Loans Held	1,620	\$ 775,505	\$ 780,670

	Average	High	Low
General Loan Characteristics:			

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Original Loan Balance	\$	486	\$	3,500	\$	25
Coupon Rate		5.26%		7.75%		3.00%
Gross Margin		2.40%		7.01%		1.13%
Lifetime Cap		11.08%		13.75%		9.00%
Original Term (Months)		360		360		359
Remaining Term (Months)		348		360		319

Percentage

<i>Arm Loan Type</i>	
Traditional ARMs	4.7%
2/1 Hybrid ARMs	5.3%
3/1 Hybrid ARMs	32.4%
5/1 Hybrid ARMs	57.3%
7/1 Hybrid ARMs	0.3%
Total	100.0%
Percent of ARM loans that are Interest Only	74.9%
Weighted average length of interest only period	8.2 years

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Percentage***Traditional ARMs - Periodic Caps***

None	64.5%
1%	19.4%
Over 1%	16.1%
Total	100.0%

Percentage***Hybrid ARMs - Initial Cap***

3.00% or less	29.6%
3.01%-4.00%	10.7%
4.01%-5.00%	58.2%
5.01%-6.00%	1.5%
Total	100.0%

Percentage***FICO Scores***

650 or less	5.0%
651 to 700	18.0%
701 to 750	35.4%
751 to 800	38.2%
801 and over	3.4%
Total	100.0%
Average FICO Score	733

Percentage***Loan to Value (LTV)***

50% or less	9.5%
50.01%-60.00%	9.4%
60.01%-70.00%	28.6%
70.01%-80.00%	49.7%
80.01% and over	2.8%
Total	100.0%
Average LTV	69.3%

Percentage***Property Type***

Single Family	53.7%
Condominium	23.1%
Cooperative	10.1%
Planned Unit Development	9.2%
Two to Four Family	3.9%
Total	100.0%

Percentage***Occupancy Status***

Primary	84.2%
Secondary	10.7%

Investor	5.1%
Total	100.0%

	Percentage
<i>Documentation Type</i>	
Full Documentation	61.8%
Stated Income	24.1%
Stated Income/ Stated Assets	11.8%
No Documentation	1.6%
No Ratio	0.7%
Total	100.0%

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	Percentage
<i>Loan Purpose</i>	
Purchase	60.0%
Cash out refinance	25.2%
Rate & term refinance	14.8%
Total	100.0%

	Percentage
<i>Geographic Distribution: 5% or more in any one state</i>	
NY	32.7%
MA	19.4%
CA	14.1%
NJ	5.8%
FL	5.4%
Other (less than 5% individually)	22.6%
Total	100.0%

Delinquency Status

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

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

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

We establish an allowance for loan losses based on our estimate of credit losses inherent in the Company's investment portfolio of residential loans held for investment. Our portfolio of mortgage loans held for investment is collectively evaluated for impairment as the loans are homogeneous in nature. The allowance is based upon management's assessment of various factors affecting our mortgage loan portfolio, including current economic conditions, the makeup of the portfolio based on credit grade, loan-to-value ratios, delinquency status, historical credit losses, purchased mortgage insurance and other factors that management believes warrant consideration. The allowance is maintained through ongoing provisions charged to operating income and is reduced by loans that are charged off. Determining the allowance for loan losses is subjective in nature due to the estimation required and the potential for imprecision. As of December 31, 2005 and 2004 our allowance for loan losses totaled \$12,000 and zero, respectively.

Investment Securities - Available for Sale. Our securities portfolio consists of agency securities or AAA-rated residential mortgage-backed securities. At December 31, 2005, we had no investment securities in a single issuer or

entity (other than a government sponsored agency of the U.S. Government) that had an aggregate book value in excess of 10% of our total assets. The following table sets forth the credit characteristics of our securities portfolio as of December 31, 2005.

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

	Sponsor or Rating	Par Value	Carrying Value	% of Portfolio	Coupon	Yield
Credit						
Agency REMIC CMO Floating Rate	FNMA/FHLMC/GNMA	\$ 13,505	\$ 13,535	2%	5.56%	5.45%
FHLMC Agency ARMs	FHLMC	91,835	91,217	13%	4.28%	3.82%
FNMA Agency ARMs	FNMA	298,526	297,048	41%	4.18%	3.91%
Private Label ARMs	AAA	315,835	314,682	44%	4.74%	4.51%
Total/Weighted Average		\$ 719,701	\$ 716,482	100%	4.47%	4.19%

The following table sets forth the interest rate repricing characteristics of our securities portfolio as of December 31, 2005 (dollar amounts in thousands):

	Carrying Value	% of Portfolio	Weighted Average Coupon
Interest Rate Repricing			
< 6 Months	\$ 13,535	2%	5.56%
< 24 Months	445,870	62%	4.28%
< 60 Months	257,077	36%	4.73%
Total	\$ 716,482	100%	4.47%

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

	Less than 6 Months		More than 6 Months To 24 Months		More than 24 Months To 60 Months		Total	
	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield
Agency REMIC CMO Floating Rate	\$ 13,535	5.45%	\$ —	—	\$ —	—	\$ 13,535	5.45%
FHLMC Agency ARMs	—	—	91,217	3.82%	—	—	91,217	3.82%
FNMA Agency ARMs	—	—	297,048	3.91%	—	—	297,048	3.91%
Private Label ARMs	—	—	57,605	4.22%	257,077	4.57%	314,682	4.51%
Total	\$ 13,535	5.45%	\$ 445,870	3.93%	\$ 257,077	4.57%	\$ 716,482	4.19%

Mortgage Lending Related Assets

Mortgage Loans Held for Sale. Mortgage loans that we have originated but do not intend to hold for investment and are held pending sale to investors are classified as “mortgage loans held for sale.” We had mortgage loans held for sale of \$108.3 million at December 31, 2005 as compared to \$85.4 million at December 31, 2004. We use warehouse lines of credit and loan aggregation facilities to finance our mortgage loans held for sale. Fluctuations in mortgage loans held for sale, warehouse lines of credit, due to/from loan purchasers and related accounts are dependent on factors such as loan production, seasonality and our investor’s ability to purchase loans on a timely basis.

Due from Purchasers. We had amounts due from loan purchasers totaling \$121.8 million at December 31, 2005 as compared to \$79.9 million at December 31, 2004. Amounts due from loan purchasers are a receivable for the principal and premium due to us for loans that have been shipped but for which payment has not yet been received at period end.

Escrow Deposits - Pending Loan Closings. We had escrow deposits pending loan closing of \$1.4 million at December 31, 2005 as compared to \$16.2 million at December 31, 2004. Escrow deposits pending loan closing are advance cash fundings by us to escrow agents to be used to close loans within the next one to three business days.

Non-Loan or Investment Assets

Cash and Cash Equivalents. We had unrestricted cash and cash equivalents of \$9.1 million at December 31, 2005 versus \$7.6 million at December 31, 2004.

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Prepaid and Other Assets. Prepaid and other assets totaled \$16.5 million as of December 31, 2005. Prepaid and other assets consist primarily of a deferred tax benefit of \$10.2 million and loans held by us which are pending remedial action (such as updating loan documentation) or which do not currently meet third-party investor criteria.

Property and Equipment, Net - Property and equipment totaled \$6.9 million as of December 31, 2005 and have estimated lives ranging from three to ten years, and are stated at cost less accumulated depreciation and amortization. Depreciation is determined in amounts sufficient to charge the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Leasehold improvements are amortized over the lesser of the life of the lease or service lives of the improvements using the straight-line method.

Balance Sheet Analysis - Financing Arrangements

Financing Arrangements, Mortgage Loans Held for Sale/for Investment. We had debt outstanding on our financing facilities which finance our mortgage loans held for sale and mortgage loans held for investment of \$225.2 million at December 31, 2005 as compared to \$359.2 million at December 31, 2004. As of December 31, 2005, the current weighted average borrowing rate on these financing facilities is 5.09%. The fluctuations in mortgage loans - held-for-sale and short-term borrowings are dependent on loans we have originated during the period as well as loans we have sold outright.

Financing Arrangements, Portfolio Investments. We have arrangements to enter into repurchase agreements, a form of collateralized borrowings, with 23 different financial institutions having a total line capacity of \$5.4 billion. As of December 31, 2005 and December 31, 2004, there were \$1.2 billion and \$1.1 billion, respectively, of repurchase borrowings outstanding. Our repurchase agreements typically have terms of less than one year. As of December 31, 2005, the current weighted average borrowing rate on these financing facilities is 4.37%.

Collateralized Debt Obligations. On December 20, 2005 we issued CDOs secured by ARM loans and restricted cash placed as collateral for prefunded loans which will be replaced by ARM loans within 30 days. For financial reporting purposes, the ARM loans and restricted cash held as collateral are recorded as assets of the Company and the CDO is recorded as the Company's debt. The transaction includes interest rate caps and are held by the trust and recorded as an asset or liability of the Company. The interest rate cap limits the interest rate exposure on these transactions. As of December 31, 2005 we have CDO outstanding of \$228.2 million with an average interest rate of 4.68%.

Subordinated Debentures. As of December 31, 2005, we have trust preferred securities outstanding of \$45.0 million. The securities are fully guaranteed by the Company with respect to distributions and amounts payable upon liquidation, redemption or repayment. These securities are classified as subordinated debentures in the liability section of the Company's consolidated balance sheet.

\$25.0 million of our subordinated debentures have a floating interest rate equal to three-month LIBOR plus 3.75%, resetting quarterly (7.77% at December 31, 2005). These securities mature on March 15, 2035 and may be called at par by the Company any time after March 15, 2010. NYMC entered into an interest rate cap agreement to limit the maximum interest rate cost of the trust preferred securities to 7.5%. The term of the interest rate cap agreement is five years and resets quarterly in conjunction with the reset periods of the trust preferred securities.

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

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

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

Derivative financial instruments contain credit risk to the extent that the institutional counterparties may be unable to meet the terms of the agreements. We minimize this risk by using multiple counterparties and limiting our counterparties to major financial institutions with good credit ratings. In addition, we regularly monitor the potential risk of loss with any one party resulting from this type of credit risk. Accordingly, we do not expect any material losses as a result of default by other parties.

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

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

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

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

The following table summarizes the estimated fair value of derivative assets and liabilities as of December 31, 2005 and December 31, 2004 (dollar amounts in thousands):

	December 31, 2005	December 31, 2004
Derivative Assets:		
Interest rate caps	\$ 3,340	\$ 411
Interest rate swaps	6,383	3,229
Interest rate lock commitments - loan commitments	123	5
Interest rate lock commitments - mortgage loans held for sale	—	33
Total derivative assets	\$ 9,846	\$ 3,678
Derivative Liabilities:		
Forward loan sale contracts - loan commitments	(38)	(24)
Forward loan sale contracts - mortgage loans held for sale	(18)	(2)
Forward loan sale contracts - TBA securities	(324)	(139)
Interest rate lock commitments - mortgage loans held for sale	(14)	—
Total derivative liabilities	\$ (394)	\$ (165)

Balance Sheet Analysis - Stockholders' Equity

Stockholders' equity at December 31, 2005 was \$101.0 million and included \$1.9 million of net unrealized gains on available for sale securities and cash flow hedges presented as accumulated other comprehensive income.

Asset Acquisitions

Since our IPO in June 2004, we have originated and acquired high quality residential mortgage loans or securities for our investment portfolio. Nearly all our investment asset acquisitions have been hybrid ARM Assets with reset periods of less than five years or traditional ARM Assets generally indexed to LIBOR. The following table illustrates our origination and acquisition activity of such assets since our IPO.

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Investment Portfolio Asset Originations and Acquisitions
(Dollar amounts in thousands)

	2005	2004
ARM Loans		
Direct retail originations	\$ 525,699	\$ 95,077
Wholesale originations ¹	29,490	—
Correspondent originations	165,442	93,901
Total	\$ 720,631	\$ 188,978
ARM Securities		
Agency securities	\$ 388,265	\$ 598,290
AAA-rated	314,682	540,897
Other privately issued	13,535	65,558
Total	\$ 716,482	\$ 1,204,745

¹Our wholesale division began origination operations in the fourth quarter of 2005. A significant portion of this division's product is expected to be high-quality, portfolio eligible product in future periods.

Securitizations

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

We did not account for these securitizations as sales because the transactions are secured borrowings under SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." A summary of the three CDOs completed in 2005 follows.

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

Class	Approximate Principal Amount	Interest Rate	S&P Rating
		LIBOR	
A	\$ 391,761	+ 27%	AAA
M-1	\$ 18,854	%	AA

			LIBOR	
			+ 50	
			LIBOR	
M-2	\$	6,075	+ 85%	A

At the time of securitization, the weighted average loan-to-value of the mortgage loans in the trust was approximately 68.8% and the weighted average FICO score was approximately 729. The weighted average current loan rate of the pool of mortgage loans is approximately 4.56% and the weighted average maximum loan rate (after periodic rate resets) is 10.63%.

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

Class	Approximate Principal Amount	Interest Rate	S&P Rating
A	\$ 217,126	LIBOR + 33%	AAA
M-1	\$ 16,029	LIBOR + 60%	AA
M-2	\$ 6,314	LIBOR + 100%	A

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

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

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

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

Prepayment Experience

The cumulative prepayment rate ("CPR") on our mortgage loan portfolio averaged approximately 27% during 2005 as compared to 20% during 2004. CPRs on our purchased portfolio of investment securities averaged approximately 29% while the CPRs on loans held for investment or held in our securitization trusts averaged approximately 24% during 2005. When prepayment expectations over the remaining life of assets increase, we have to amortize premiums over a shorter time period resulting in a reduced yield to maturity on our investment assets. Conversely, if prepayment expectations decrease, the premium would be amortized over a longer period resulting in a higher yield to maturity. We monitor our prepayment experience on a monthly basis and adjust the amortization of our net premiums accordingly.

Results of Operations

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

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

The demand for new mortgage loans. Reduced demand for mortgage loans causes closed loan origination volume to decline. Demand for new mortgage loans is directly impacted by current interest rate trends and other economic conditions. Rising interest rates tend to reduce demand for new mortgage loans, particularly loan refinancings, and falling interest rates tend to increase demand for new mortgage loans, particularly loan refinancings.

Loan refinancing and home purchase trends. As discussed above, the volume of loan refinancings tends to increase following declines in interest rates and to decrease when interest rates rise. The volume of home purchases is also affected by interest rates, although to a lesser extent than refinancing volume. Home purchase trends are also affected by other economic changes such as inflation, improvements in the stock market, unemployment rates and other similar factors.

Seasonality. Historically, according to the MBA, loan originations during late November, December, January and February of each year are typically lower than during other months in the year due, in part, to inclement weather, fewer business days (due to holidays and the short month of February), and the fact that home buyers tend to purchase homes during the warmer months of the year. As a result, loan volumes tend to be lower in the first and fourth quarters of a year than in the second and third quarters.

Occasional spikes in volume resulting from isolated events. Mortgage lenders may experience spikes in loan origination volume from time to time due to non-recurring events or transactions, such as a large mass closing of a condominium project for which a bulk end-loan commitment was negotiated.

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The mortgage banking industry witnessed record levels of closed loan originations beginning in mid-2002 and continuing throughout 2003, due primarily to the availability of historically low interest rates during that period. These historically low interest rates caused existing home owners to refinance their mortgages at record levels and induced many first-time home buyers to purchase homes and many existing home owners to purchase new homes. We, like most industry participants, enjoyed a record increase in our volume of closed loan originations during that period. During the first quarter of 2004, the Federal Reserve Bank of the United States signaled that moderate increases in interest rates were likely to occur during and after the second quarter of 2004 and followed up its first increase in interest rates in four years with measured, continued increases to-date.

In its February 7, 2006 Mortgage Finance Forecast, the MBA estimated that closed loan originations in the industry declined to \$2.77 trillion in 2004 and remained static in 2005. Our origination volumes to date have continued to trend upward, due in part to the GRL acquisition. Although not forecast, a decline in the overall volume of closed loan originations may have a negative effect on our loan origination volume and net income. We believe that our concentration on purchase loan originations has caused our loan origination volume to be less susceptible to the industry-wide decline in origination volume.

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

The cost of our production is also critical to our financial results as it is a significant factor in the gains we recognize. In addition, the type of loan production is an important factor in recognizing gain on sale premiums. Beginning near the end of the first quarter of 2004, our volume of FHA loans increased. Generally, FHA loans have lower average balances and FICO scores which are reflected in the statistics above. All FHA loans are currently and will be in the future sold or brokered to third parties. The following table summarizes our loan production for each quarter of 2005, 2004 and 2003.

	Number of Loans	Aggregate Principal Balance (\$ in millions)	Percentage Of Total Principal	Weighted Average Interest Rate	Average Principal Balance	Weighted Average LTV	FICO
2005:							
<i>Fourth Quarter</i>							
ARM	1,321	\$ 452.5	55.0%	6.33%	\$ 342,551	71.9	700
Fixed-rate	1,617	343.7	41.8%	6.79%	212,524	72.2	712
Subtotal-non-FHA	2,938	\$ 796.2	96.8%	6.53%	\$ 270,987	72.1	705
FHA - ARM	1	\$ 0.2	0.0%	5.80%	\$ 157,545	84.6	655
FHA - fixed-rate	194	26.5	3.2%	6.06%	136,820	93.5	639
Subtotal - FHA	195	\$ 26.7	3.2%	6.06%	\$ 136,927	93.4	639
Total ARM	1,322	\$ 452.7	55.0%	6.33%	\$ 342,411	72.0	700
Total fixed-rate	1,811	370.2	45.0%	6.74%	204,414	73.7	707
Total Originations	3,133	\$ 822.9	100.0%	6.52%	\$ 262,643	72.7	703
Purchase mortgages	1,949	\$ 426.8	51.9%	6.73%	\$ 218,995	78.5	716

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Refinancings	989	369.4	44.9%	6.29%	373,447	64.5	692
Subtotal-non-FHA	2,938	\$ 796.2	96.8%	6.53%	\$ 270,987	72.1	705
FHA - purchase	38	\$ 6.1	0.7%	6.40%	\$ 161,278	97.4	649
FHA - refinancings	157	20.6	2.5%	5.95%	131,033	92.1	636
Subtotal - FHA	195	\$ 26.7	3.2%	6.06%	\$ 136,927	93.4	639
Total purchase	1,987	\$ 433.0	52.6%	6.72%	\$ 217,891	78.8	715
Total refinancings	1,146	389.9	47.4%	6.28%	340,237	66.0	689
Total Originations	3,133	\$ 822.9	100.0%	6.52%	\$ 262,643	72.7	703

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<i>Third Quarter</i>							
ARM	1,727	\$ 513.3	51.2%	6.10%	\$ 297,213	73.8	705
Fixed-rate	1,946	392.2	39.1%	6.43%	201,537	73.2	717
Subtotal-non-FHA	3,673	\$ 905.5	90.3%	6.25%	\$ 246,522	73.5	710
FHA - ARM	4	\$ 0.8	0.1%	5.80%	\$ 217,202	94.7	642
FHA - fixed-rate	700	95.9	9.6%	5.72%	136,954	92.9	633
Subtotal - FHA	704	\$ 96.7	9.7%	5.72%	\$ 137,410	93.0	633
Total ARM	1,731	\$ 514.1	51.3%	6.10%	\$ 297,028	73.8	705
Total fixed-rate	2,646	488.1	48.7%	6.29%	184,451	77.1	700
Total Originations	4,377	\$ 1,002.2	100.0%	6.19%	\$ 228,973	75.4	703
<i>Purchase mortgages</i>							
Purchase mortgages	2,568	\$ 558.1	55.7%	6.39%	\$ 217,314	78.1	719
Refinancings	1,105	347.4	34.6%	6.01%	314,402	66.2	696
Subtotal-non-FHA	3,673	\$ 905.5	90.3%	6.25%	\$ 246,522	73.5	710
FHA - purchase	71	\$ 11.7	1.2%	6.05%	\$ 165,045	96.3	659
FHA - refinancings	633	85.0	8.5%	5.67%	134,310	92.5	630
Subtotal - FHA	704	\$ 96.7	9.7%	5.72%	\$ 137,410	93.0	633
Total purchase	2,639	\$ 569.8	56.9%	6.38%	\$ 215,908	78.5	718
Total refinancings	1,738	432.4	43.1%	5.94%	248,811	71.4	683
Total Originations	4,377	\$ 1,002.2	100.0%	6.19%	\$ 228,973	75.4	703
<i>Second Quarter</i>							
ARM	1,839	\$ 537.9	57.2%	5.90%	\$ 292,482	72.7	709
Fixed-rate	1,777	337.1	35.9%	6.47%	189,732	72.7	718
Subtotal-non-FHA	3,616	\$ 875.0	93.1%	6.12%	\$ 241,988	72.7	712
FHA - ARM	30	\$ 4.8	0.5%	5.34%	\$ 159,088	93.7	611
FHA - fixed-rate	449	59.9	6.4%	5.97%	133,408	92.6	624
Subtotal - FHA	479	\$ 64.7	6.9%	5.92%	\$ 135,016	92.7	623
Total ARM	1,869	\$ 542.7	57.7%	5.89%	\$ 290,341	72.8	708
Total fixed-rate	2,226	397.0	42.3%	6.39%	178,371	75.7	704
Total Originations	4,095	\$ 939.7	100.0%	6.10%	\$ 229,475	74.0	706
<i>Purchase mortgages</i>							
Purchase mortgages	2,652	\$ 587.8	62.6%	6.21%	\$ 221,657	76.4	720
Refinancings	964	287.2	30.5%	5.94%	297,918	65.1	695
Subtotal-non-FHA	3,616	\$ 875.0	93.1%	6.12%	\$ 241,988	72.7	712
FHA - purchase	85	\$ 13.9	1.5%	5.99%	\$ 163,693	96.3	644
FHA - refinancings	394	50.8	5.4%	5.91%	128,829	91.7	617
Subtotal - FHA	479	\$ 64.7	6.9%	5.92%	\$ 135,016	92.7	623
Total purchase	2,737	\$ 601.7	64.1%	6.20%	\$ 219,857	76.8	719
Total refinancings	1,358	338.0	35.9%	5.93%	248,860	69.1	684
Total Originations	4,095	\$ 939.7	100.0%	6.10%	\$ 228,973	74.0	706
<i>First Quarter</i>							
ARM	1,313	\$ 355.3	52.8%	5.61%	\$ 270,603	72.7	708
Fixed-rate	1,274	247.8	36.9%	6.31%	194,541	71.4	719
Subtotal-non-FHA	2,587	\$ 603.1	89.7%	5.90%	\$ 233,145	72.2	712

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FHA - ARM	59	\$ 9.5	1.4%	5.10%	\$ 160,093	93.8	648
FHA - fixed-rate	462	59.9	8.9%	5.85%	129,756	92.2	635
Subtotal - FHA	521	\$ 69.4	10.3%	5.75%	\$ 133,191	92.4	637
Total ARM	1,372	\$ 364.8	54.2%	5.60%	\$ 265,851	73.2	706
Total fixed-rate	1,736	307.7	45.8%	6.22%	177,299	75.5	703
Total Originations	3,108	\$ 672.5	100.0%	5.88%	\$ 216,390	74.3	705
Purchase mortgages	1,717	\$ 365.9	54.4%	6.03%	\$ 213,081	76.2	723
Refinancings	870	237.2	35.3%	5.69%	272,743	66.0	696
Subtotal-non-FHA	2,587	\$ 603.1	89.7%	5.90%	\$ 233,145	72.2	712
FHA - purchase	95	\$ 15.1	2.2%	5.66%	\$ 158,699	97.2	672
FHA - refinancings	426	54.3	8.1%	5.78%	127,503	91.0	627
Subtotal - FHA	521	\$ 69.4	10.3%	5.75%	\$ 133,191	92.4	637
Total purchase	1,812	\$ 381.0	56.6%	6.02%	\$ 210,230	77.0	721
Total refinancings	1,296	291.5	43.4%	5.71%	225,002	70.7	683
Total Originations	3,108	\$ 672.5	100.0%	5.88%	\$ 216,390	74.3	705

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2004:*Fourth Quarter*

ARM	1,094	\$ 330.1	52.2%	5.23%	\$ 301,765	71.1	714
Fixed-rate	956	206.8	32.7%	6.32%	216,266	72.1	714
Subtotal-non-FHA	2,050	\$ 536.9	84.9%	5.65%	\$ 261,893	71.5	714
FHA - ARM	150	\$ 19.5	3.1%	5.20%	\$ 130,215	92.7	627
FHA - fixed-rate	599	76.2	12.0%	6.04%	127,281	92.0	622
Subtotal - FHA	749	\$ 95.7	15.1%	5.87%	\$ 127,868	92.1	623
Total ARM	1,244	\$ 349.6	55.3%	5.23%	\$ 281,080	72.3	709
Total fixed-rate	1,555	283.0	44.7%	6.24%	181,988	77.5	689
Total Originations	2,799	\$ 632.6	100.0%	5.68%	\$ 226,029	74.6	700

Purchase mortgages	1,426	\$ 353.3	55.8%	5.65%	\$ 247,722	75.1	724
Refinancings	624	183.6	29.1%	5.65%	294,278	64.4	694
Subtotal-non-FHA	2,050	\$ 536.9	84.9%	5.65%	\$ 261,893	71.5	714
FHA - purchase	82	\$ 13.3	2.1%	5.93%	\$ 162,494	96.4	647
FHA - refinancings	667	82.4	13.0%	5.86%	123,611	91.4	619
Subtotal - FHA	749	\$ 95.7	15.1%	5.87%	\$ 127,868	92.1	623
Total purchase	1,508	\$ 366.6	57.9%	5.66%	\$ 243,088	75.9	721
Total refinancings	1,291	266.0	42.1%	5.71%	206,102	72.8	671
Total Originations	2,799	\$ 632.6	100.0%	5.68%	\$ 226,029	74.6	700

Third Quarter

ARM	692	\$ 208.9	50.3%	5.06%	\$ 301,879	70.7	718
Fixed-rate	639	145.7	35.1%	6.70%	228,013	71.0	714
Subtotal-non-FHA	1,331	\$ 354.6	85.4%	5.73%	\$ 266,416	70.8	716
FHA - ARM	52	\$ 6.8	1.6%	5.29%	\$ 130,769	92.2	597
FHA - fixed-rate	429	54.0	13.0%	6.33%	125,874	92.2	612
Subtotal - FHA	481	\$ 60.8	14.6%	6.21%	\$ 126,403	92.2	610
Total ARM	744	\$ 215.7	51.9%	5.07%	\$ 289,919	71.4	714
Total fixed-rate	1,068	199.7	48.1%	6.60%	186,985	76.7	687
Total Originations	1,812	\$ 415.4	100.0%	5.80%	\$ 229,249	73.9	701

Purchase mortgages	1,019	\$ 265.9	64.0%	5.78%	\$ 260,942	73.4	725
Refinancings	312	88.7	21.4%	5.59%	284,295	63.1	691
Subtotal-non-FHA	1,331	\$ 354.6	85.4%	5.73%	\$ 266,416	70.8	716
FHA - purchase	54	\$ 8.7	2.1%	6.36%	\$ 161,111	95.0	637
FHA - refinancings	427	52.1	12.5%	6.18%	122,014	91.8	605
Subtotal - FHA	481	\$ 60.8	14.6%	6.21%	\$ 126,403	92.2	610
Total purchase	1,073	\$ 274.6	66.1%	5.80%	\$ 255,918	74.1	722
Total refinancings	739	140.8	33.9%	5.81%	190,528	73.7	660
Total Originations	1,812	\$ 415.4	100.0%	5.80%	\$ 229,249	73.9	701

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Second Quarter

ARM	781	\$ 253.4	49.3%	4.91%	\$ 324,456	69.8	722
Fixed-rate	797	167.2	32.5%	6.31%	209,787	70.6	720
Subtotal-non-FHA	1,578	\$ 420.6	81.8%	5.47%	\$ 266,540	70.1	721
FHA - ARM	29	\$ 4.1	0.8%	4.37%	\$ 141,379	93.5	653
FHA - fixed-rate	764	89.3	17.4%	5.87%	116,885	91.9	655
Subtotal - FHA	793	\$ 93.4	18.2%	5.81%	\$ 117,781	92.0	654
Total ARM	810	\$ 257.5	50.1%	4.90%	\$ 317,901	70.1	721
Total fixed-rate	1,561	256.5	49.9%	6.16%	164,318	78.0	697
Total Originations	2,371	\$ 514.0	100.0%	5.53%	\$ 216,786	74.1	709

Purchase mortgages	1,021	\$ 262.7	51.1%	5.46%	\$ 257,297	74.8	728
Refinancings	557	157.9	30.7%	5.48%	283,483	62.2	711
Subtotal-non-FHA	1,578	\$ 420.6	81.8%	5.47%	\$ 266,540	70.1	721
FHA - purchase	71	\$ 10.6	2.1%	6.25%	\$ 149,296	96.1	633
FHA - refinancings	722	82.8	16.1%	5.75%	114,681	91.4	657
Subtotal - FHA	793	\$ 93.4	18.2%	5.81%	\$ 117,781	92.0	654
Total purchase	1,092	\$ 273.3	53.2%	5.49%	\$ 250,275	75.6	724
Total refinancings	1,279	240.7	46.8%	5.57%	188,194	72.3	693
Total Originations	2,371	\$ 514.0	100.0%	5.53%	\$ 216,786	74.1	709

First Quarter

ARM	458	\$ 121.8	43.0%	5.55%	\$ 265,982	83.8	839
Fixed-rate	578	151.8	53.5%	5.43%	262,547	60.1	611
Subtotal-non-FHA	1,036	\$ 273.6	96.5%	5.48%	\$ 264,066	70.7	713
FHA - ARM	—	—	—	—	—	—	—
FHA - fixed-rate	35	\$ 9.8	3.5%	4.48%	281,445	68.0	445
Subtotal - FHA	35	\$ 9.8	3.5%	4.48%	\$ 281,445	68.0	445
Total ARM	458	\$ 121.8	43.0%	5.55%	\$ 265,982	83.8	839
Total fixed-rate	613	161.6	57.0%	5.38%	263,626	60.6	601
Total Originations	1,071	\$ 283.4	100.0%	5.45%	\$ 264,633	70.6	703

Purchase mortgages	623	\$ 164.2	57.9%	5.42%	\$ 263,586	74.1	711
Refinancings	413	109.4	38.6%	5.58%	264,789	65.5	715
Subtotal-non-FHA	1,036	\$ 273.6	96.5%	5.48%	\$ 264,066	70.7	713
FHA - purchase	27	\$ 7.8	2.8%	4.73%	\$ 289,221	73.2	462
FHA - refinancings	8	2.0	0.7%	3.55%	255,200	48.3	380
Subtotal - FHA	35	\$ 9.8	3.5%	4.48%	\$ 281,445	68.0	445
Total purchase	650	\$ 172.0	60.7%	5.39%	\$ 264,651	74.1	700
Total refinancings	421	111.4	39.3%	5.54%	264,607	65.2	708
Total Originations	1,071	\$ 283.4	100.0%	5.45%	\$ 264,633	70.6	703

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2003:*Fourth Quarter*

ARM	502	\$ 181.1	53.3%	4.79%	\$ 360,691	69.8	708
Fixed-rate	705	158.7	46.7%	6.57%	225,127	69.5	707
Total Originations	1,207	\$ 339.8	100.0%	5.62%	\$ 281,509	69.7	707
Purchase mortgages	749	\$ 203.2	59.8%	5.66%	\$ 271,209	75.8	712
Refinancings	458	136.6	40.2%	5.58%	298,353	61.2	699
Total Originations	1,207	\$ 339.8	100.0%	5.62%	\$ 281,509	69.7	707

Third Quarter

ARM	585	\$ 224.1	46.1%	4.76%	\$ 383,018	67.6	714
Fixed-rate	1,062	262.2	53.9%	6.17%	246,880	66.5	707
Total Originations	1,647	\$ 486.3	100.0%	5.53%	\$ 295,235	67.0	711
Purchase mortgages	772	\$ 218.2	44.9%	5.73%	\$ 282,537	75.3	717
Refinancings	875	268.1	55.1%	5.35%	306,439	59.8	706
Total Originations	1,647	\$ 486.3	100.0%	5.53%	\$ 295,235	67.0	711

Second Quarter

ARM	452	\$ 158.1	38.3%	4.77%	\$ 349,624	66.5	691
Fixed-rate	1,051	254.8	61.7%	6.12%	242,478	66.6	714
Total Originations	1,503	\$ 412.9	100.0%	5.60%	\$ 274,700	66.6	705
Purchase mortgages	647	\$ 173.7	42.1%	5.73%	\$ 268,487	74.3	690
Refinancings	856	239.2	57.9%	5.50%	279,397	60.9	716
Total Originations	1,503	\$ 412.9	100.0%	5.60%	\$ 274,700	66.6	705

First Quarter

ARM	399	\$ 144.1	39.9%	5.13%	\$ 361,230	69.5	720
Fixed-rate	948	217.3	60.1%	6.46%	229,203	70.7	707
Total Originations	1,347	\$ 361.4	100.0%	5.93%	\$ 268,311	70.3	712
Purchase mortgages	845	\$ 208.5	57.7%	6.09%	\$ 246,758	77.9	721
Refinancings	502	152.9	42.3%	5.72%	304,590	59.8	699
Total Originations	1,347	\$ 361.4	100.0%	5.93%	\$ 268,311	70.3	712

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

Other Operational Information

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	For the Year Ended December 31,				
	2005	2004	% Change	2003	% Change
Loan officers	329	344	(4.4)%	142	142.3%
Other employees	473	438	8.0%	193	126.9%
Total employees	802	782	2.6%	335	133.4%
Number of sales locations	54	66	(18.2)%	15	340.0%

To supplement our organic growth in originations, we acquired eight branches with 134 employees of Staten Island Bank (“SIB”) in March 2004 and 15 branches with 275 employees of GRL in November 2004. During the course of 2004 and 2005, these acquisitions have been fully integrated within our structural framework of operations.

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Results of Operations - Comparison of Years Ended December 31, 2005, 2004 and 2003

Net Income - Overview

Comparative Net Income

(\$ in thousands)	For the Year Ended December 31,				
	2005	2004	% Change	2003	% Change
Net (loss)/income	\$ (5,340)	\$ 4,947	(207.9)%	\$ 13,726	(64.0)%
EPS (Basic)	\$ (0.30)	\$ 0.28	(207.1)%	\$ —	—
EPS (Diluted)	\$ (0.30)	\$ 0.27	(211.1)%	\$ —	—

For the year ended December 31, 2005, we reported net loss of \$5.3 million, as compared to net income of \$4.9 million for the year ended December 31, 2004. Our revenues were driven largely from interest income on investments in mortgage loans and mortgage securities (our “mortgage portfolio management” segment) and gain on sale income from loan originations sold to third parties (our “mortgage lending” segment) during the period. The change in net income is attributed to an increase in gain on sale income and net interest income from our investment portfolio. These gains were offset by the execution of our core business strategy to retain selected originated loans in our portfolio (thus forgoing the gain on sale premiums we would have otherwise received when such loans are sold to third parties), an impairment charge of \$7.4 million in the fourth quarter related to \$388.3 million of available for sale securities that we now anticipate selling in 2006 in order to rebalance our portfolio with higher yielding assets, one-time severance charges of \$3.0 million, and increased expenses incurred for and subsequent to the acquisition of multiple retail loan origination locations during 2004.

Net income in 2003 was reflective of our pre-IPO operation as only a mortgage originator. 2003 was a year of record earnings for many mortgage originators due to low interest rates and record mortgage lending volumes. Subsequent to our IPO in June 2004, and after a ramp-up period of approximately three months, our mortgage portfolio operations became a significant contributor to our net income. During 2004, our mortgage lending segment began to feel the effects of higher interest rates and reduced net interest and gain on sale margin on mortgage loans that we bankered and sold to third parties. Furthermore, as part of our self-origination strategy, loans originated and retained for investment, further contribute to the decline in GAAP net income in that we forgo the gain on sale premiums we would have otherwise received had those loans been sold to a third party.

Comparative Net Interest Income

(\$ in thousands)	For the Year Ended December 31,				
	2005	2004	% Change	2003	% Change
Interest income	\$ 77,476	\$ 27,299	183.8%	\$ 7,609	258.8%
Interest expense	60,104	16,013	275.3%	3,266	390.3%
Net interest income	\$ 17,372	\$ 11,286	53.9%	\$ 4,343	159.9%

Net interest income contributed \$17.4 million, \$11.3 million and \$4.3 million to total revenues for the years ended December 31, 2005, 2004, and 2003, respectively. Our portfolio investment strategy was initiated in the third quarter of 2004; prior to that period net interest income was earned on mortgage loans held for sale during the interim period of funding a loan to a borrower and the ultimate sale of the loan to a third party

Non-interest related expenses were higher for the year ended December 31, 2005, relative to 2004 and 2003 as a result of our new business strategies implemented with the completion of our IPO in mid-year 2004. Incremental expenses primarily include higher salaries for management of the portfolio management segment and increased professional fee

expenses for audit and implementation costs of Sarbanes-Oxley 404 compliance. With regard to our mortgage lending operations in place during all three past years, we incurred incremental expenses associated with new or consolidating branch offices and satellite locations and increased personnel costs associated with an expansion of NYMC's information technology, accounting, operations and marketing departments in connection with these new branches and locations and business strategies. In addition, during the year ended December 31, 2005, a charge of \$2.3 million in compensation expense was recorded primarily for the prior issuance of performance shares and accrued bonuses issued in connection with our hiring and retention of former GRL branch employees. As a result of our acquisition of the GRL branches in mid-November 2004, we incurred upfront expenses, with little offsetting revenues, through the mid-point of the first quarter due to lag time in closing the new originations associated with the assumption of these branches.

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Comparative Other Non-Interest Related Expense

(\$ in thousands)	For the Year Ended December 31,				
	2005	2004	% Change	2003	% Change
Other non-interest related expenses	\$ 63,034	\$ 36,329	73.5%	\$ 20,376	78.3%

Revenues

Net Interest Income. The following table summarizes the changes in net interest income for 2005, 2004 and 2003:

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

(\$ in thousands)	2005			2004			2003		
	Average Balance (\$Millions)	Yield/Rate	Amount	Average Balance (\$Millions)	Yield/Rate	Amount	Average Balance (\$Millions)	Yield/Rate	Amount
Interest Income:									
Investment securities and loans held in the securitization trusts	\$ 1,347.4	4.53%	\$ 60,988	\$ 1,006.8	4.24%	\$ 21,338	—	—	—
Loans held for investment	145.7	5.34%	7,778	32.9	4.09%	723	—	—	—
Loans held for sale	238.7	6.19%	14,751	122.6	5.63%	6,905	134.5	7,609	5.66%
Amortization of net premium	14.7	(0.46)%	\$ (6,041)	11.5	(0.46)%	\$ (1,667)	—	—	\$ —%
Interest income	\$ 1,746.5	4.44%	\$ 77,476	\$ 1,173.8	4.65%	\$ 27,299	134.5	\$ 7,609	5.66%
Interest Expense:									
Investment securities and loans held in the securitization trusts	\$ 1,283.3	3.23%	\$ 42,001	\$ 930.1	4.09%	\$ 11,982	—	—	—
Loans held for investment	142.7	4.04%	5,847	32.7	2.72%	488	—	—	—
Loans held for sale	233.3	4.39%	10,252	103.3	2.65%	3,543	117.0	3,266	2.54%
Subordinated debentures	26.6	7.54%	2,004	—	—	—	—	—	—
Interest expense	\$ 1,685.9	3.52%	\$ 60,104	\$ 1,066.1	3.0%	\$ 16,013	\$ 117.0	\$ 3,266	2.54%
Net interest income	\$ 60.6	0.92%	\$ 17,372	\$ 107.7	1.65%	\$ 11,286	\$ 17.5	\$ 4,344	3.12%

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

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

Gain on Sales of Mortgage Loans. The following table summarizes the gain on sales of mortgage loans for 2005, 2004 and 2003:

Gain on Sales of Mortgage Loans

(\$ in thousands)	For the Year Ended December 31,				
	2005	2004	% Change	2003	% Change
Total bankered loan volume	\$ 2,875,288	\$ 1,435,340	100.32%	\$ 1,234,848	16.24%
Total bankered loan volume - units	12,654	6,882	83.87%	4,770	44.28%
Bankered originations retained in portfolio	\$ 555,189	\$ 95,077	483.94%	—	—
Bankered originations retained in portfolio - units	1,249	187	567.91%	—	—
Net bankered loan volume	\$ 2,320,099	\$ 1,340,263	73.11%	\$ 1,234,848	8.54%
Net bankered loan volume - units	11,405	6,695	70.35%	4,770	40.36%
Gain on sales of mortgage loans	\$ 26,783	\$ 20,835	28.55%	\$ 23,031	(9.53)%
Average gain on sale spread	0.51%	0.44%	15.91%	0.30%	46.67%

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The increase in bankered loan volumes during the years ended 2005 and 2004 is due to increased loan origination personnel and branch offices as compared to each prior year. The year ended 2005 includes full year utilization of increased personnel and branches while the increases for year ended 2004 primarily occurred in the latter half of the year.

While bankered loan volumes have increased, the gain on sales of mortgage loans have not had a correlating increase due to lower net market spreads as a result of lower premiums when sold to third parties in 2005 and a higher cost of origination, in part due to the upfront and incremental costs of the GRL acquisition that were expensed in 2005. Such costs, such as amortization of the pipeline premium paid to GRL and retention compensation for GRL employees were primarily expensed in 2005.

Furthermore, gain on sale revenues in 2005 and 2004 are impacted by the execution of our core business strategy: retaining selected adjustable rate mortgages for our investment portfolio. The execution of this strategy, which began in the third quarter of 2004 after our IPO, requires that we forgo the gain on sale premiums (revenues) we would otherwise receive when we sell these loans to third-parties. Instead, the cost basis of these loans, which is far lower than the loan and its associated third-party premium, is retained in our investment portfolio with the inherent value of the loan realized over time. For the years ended December 31, 2005 and 2004, we originated and retained \$555.2 million and \$95.1 million respectively, of loans in our investment portfolio and estimate that the forgone gain on sale premium, net of the cost basis of these loans when retained in our investment portfolio, was \$7.5 million and \$2.0 million, respectively.

Brokered Loan Fees. The following table summarizes brokered loan volume, fees and related expenses for the fiscal years ended 2005, 2004 and 2003:

Brokered Loan Fees and Brokered Loan Expense

(\$ in thousands)	For the Year Ended December 31,				
	2005	2004	% Change	2003	% Change
Total brokered loan volume	\$ 562.1	\$ 410.1	37.1%	\$ 365.5	12.2%
Total brokered loan volume - units	2,059	1,171	75.8%	934	25.4%
Brokered loan fees	\$ 9,991	\$ 6,895	44.9%	\$ 6,683	3.2%
Brokered loan expenses	\$ 7,543	\$ 5,276	43.0%	\$ 3,734	41.3%

The increase in brokered loan volume during the years ended 2005 and 2004 is due to increased loan origination personnel and branch offices as compared to each prior year. The year ended 2005 includes full year utilization of increased personnel and branches while the increases for year ended 2004 primarily occurred in the latter half of the year.

While brokered loan volumes have increased, brokered loan revenues have not had a correlating increase due to lower lender rebates/premiums. Broker loan expenses, as a percentage of brokered loan revenues have increased in 2005, relative to 2004 and 2003, due to higher costs of origination, in part due to the upfront and incremental costs of the GRL acquisition that were directed allocated and expensed in 2005.

Gain on sale of securities and related hedges. During the year ended December 31, 2005, the gain on the sale of securities and related hedges was \$2.2 million as compared to \$0.8 million and zero for the years ended 2004 and 2003, respectively.

Impairment loss on investment securities. During the year ended December 31, 2005 we recognized an impairment loss on investment securities of \$7.4 million as compared to zero for the same period of 2004 and 2003, respectively. This loss, recognized in the fourth quarter of 2005, relates to \$388 million of securities classified as available for sale securities for which we changed our intent to hold, and now plan to liquidate as part of our portfolio restructuring.

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Expenses

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

(\$ in thousands)	For the Year Ended December 31,				
	2005	2004	% Change	2003	% Change
Loan officers	329	344	(4.4)%	142	142.3%
Other employees	473	438	8.0%	193	126.9%
Total employees	802	782	2.6%	335	133.4%
Number of sales locations	54	66	(18.2)%	15	340.0%
Salaries and benefits	\$ 30,979	\$ 17,118	81.0%	\$ 9,247	85.1%
Occupancy and equipment	6,127	3,529	73.6%	2,018	74.9%
Marketing and promotion	4,861	3,190	52.4%	1,008	216.5%
Data processing and communications	2,371	1,598	48.4%	608	162.8%
Office supplies and expenses	2,333	1,519	53.6%	803	89.2%
Travel and entertainment	840	612	37.3%	666	(8.1)%
Depreciation and amortization	1,716	690	148.7%	412	67.5%

The category increases noted above are in direct correlation to the 86% and 13% increases in loan origination volume exhibited for the fiscal years ended December 31, 2005 and December 31, 2004, respectively. Additionally, increased expenses in the fiscal year ended December 31, 2004 over the same period of 2003 were due to the ramp up of additional key staff and costs necessary for our transition to a public company following our IPO in June of that year as well as the integration of the GRL acquisition in the latter half of 2004. Fiscal year end December 31, 2005 reflects a full year of these expenses.

Professional Fees Expense. During the year ended December 31, 2005, we had professional fees expense of \$4.7 million compared to \$2.0 million and \$1.0 million for the same periods of 2004 and 2003, an increase of 135% and 100% for the respective periods. This increase was primarily due to the increased costs of compliance with various regulatory and public company requirements, such as the Sarbanes-Oxley Act of 2002 and increases in dues, licenses and permits in states where NYMC has a new presence.

Off-Balance Sheet Arrangements

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

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain investments, pay dividends to our stockholders and other general business needs. We recognize the need to have funds available for our operating businesses and our investment in mortgage loans until the

settlement or sale of mortgages with us or with other investors. It is our policy to have adequate liquidity at all times to cover normal cyclical swings in funding availability and mortgage demand and to allow us to meet abnormal and unexpected funding requirements. We plan to meet liquidity through normal operations with the goal of avoiding unplanned sales of assets or emergency borrowing of funds.

We believe our existing cash balances and funds available under our credit facilities and cash flows from operations will be sufficient for our liquidity requirements for at least the next 12 months. Unused borrowing capacity will vary as the market values of our securities vary. Our investments and assets will also generate liquidity on an ongoing basis through mortgage principal and interest payments, pre-payments and net earnings held prior to payment of dividends. Should our liquidity needs ever exceed these on-going or immediate sources of liquidity discussed above, we believe that our securities could be sold to raise additional cash in most circumstances. We do, however, expect to expand our mortgage origination operations and may have to arrange for additional sources of capital through the issuance of debt or equity or additional bank borrowings to fund that expansion. At December 31, 2005, we had no commitments for any additional financings, and we cannot ensure that we will be able to obtain any future additional financing at the times required and on terms and conditions acceptable to us.

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To finance our investment portfolio, we generally seek to borrow between eight and 12 times the amount of our equity. Our leverage ratio, defined as total financing facilities outstanding divided by total stockholders' equity, at December 31, 2005, was 16 to 1. We, and the providers of our finance facilities, generally view our \$45.0 million of subordinated trust preferred debentures outstanding at December 31, 2005 as a form of equity which would result in an adjusted leverage ratio of 11 to 1.

We have arrangements to enter into repurchase agreements, a form of collateralized short-term borrowing, with 23 different financial institutions with total borrowing capacity of \$5.4 billion; as of December 31, 2005 we had borrowed from eight of these firms. These agreements are secured by our mortgage-backed securities and bear interest rates that have historically moved in close relationship to LIBOR. As of December 31, 2005 we had \$1.2 billion in outstanding repurchase agreements. Under these repurchase agreements the financial institutions lend money versus the market value of our mortgage-backed securities portfolio, and, accordingly, an increase in interest rates can have a negative impact on the valuation of these securities, resulting in a potential margin call from the financial institution. We monitor the market valuation fluctuation as well as other liquidity needs to ensure there is adequate collateral available to meet any additional margin calls or liquidity requirements.

We enter into interest rate swap agreements to extend the maturity of our repurchase agreements as a mechanism to reduce the interest rate risk of the securities portfolio. At December 31, 2005 we had \$645.0 million in interest rate swaps outstanding with six different financial institutions. The weighted average maturity of the swaps was 334 days at December 31, 2005. The impact of the interest swaps extends the maturity of the repurchase agreements to one year.

To originate a mortgage loan, we may draw against a \$200.0 million repurchase facility with Credit Suisse First Boston Mortgage Capital, LLC, or CSFB. This facility is secured by the mortgage loans owned by us. Advances drawn under this facility bear interest at rates that vary depending on the type of mortgage loans securing the advances. This facility is subject to sub-limits, advance rates and terms that vary depending on the type of mortgage loans securing these financings and the ratio of our liabilities to our tangible net worth. As of December 31, 2005, the aggregate outstanding balance under this facility was \$144.0 million and the aggregate maximum amount available for additional borrowings was \$56.0 million. This agreement is not a committed facility and may be terminated at any time at the discretion of the counterparty.

In addition to this facility, we may also draw against a master loan and security agreement with Greenwich Capital for \$250 million and \$300 million with Deutsche Bank Structured Products, Inc. Under these agreements, the counterparty provides financing to us for the origination or acquisition of certain mortgage loans, which then will be sold to third parties or contributed for future securitization to one or more trusts or other entities sponsored by us or an affiliate. We will repay advances under this credit facility with a portion of the proceeds from the sale of all mortgage-backed securities issued by the trust or other entity, along with a portion of the proceeds resulting from permitted whole loan sales. Advances under this facility bear interest at a floating rate initially equal to LIBOR plus a spread (starting at 0.62%) that varies depending on the types of mortgage loans securing these facilities. Advances under this facility are subject to lender approval of the mortgage loans intended for origination or acquisition, advance rates and the then ratio of our liabilities to our tangible net worth. This facility is not a committed facility and may be terminated at any time at the discretion of the counterparties. As of December 31, 2005 the outstanding balance of the Greenwich facility was \$81.6 million and the Deutsche Bank facility was zero with the maximum aggregate amount available for additional borrowings of \$168.4 million.

The documents governing these facilities contain a number of compensating balance requirements and restrictive financial and other covenants that, among other things, require us to maintain a maximum ratio of total liabilities to tangible net worth, of 20 to 1 in the case of each of the CSFB facility, 20 to 1 and 20 to 1 in the case of the Greenwich

Capital facility and 15 to 1 in the case of Deutsche Bank, as well as to comply with applicable regulatory and investor requirements. These facilities also contain various covenants pertaining to, among other things, the maintenance of certain periodic income thresholds and working capital. The lines contain various covenants pertaining to, among other things, maintenance of certain amounts of net worth, periodic income thresholds and working capital. As of December 31, 2005, the Company was in compliance with all covenants with the exception of the net income covenant on the CSFB and Greenwich facilities and waivers have been obtained from these institutions. As these annual agreements are negotiated for renewal, these covenants may be further modified. The agreements are each renewable annually, but are not committed, meaning that the counterparties to the agreements may withdraw access to the credit facilities at any time.

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

- transfer or sell assets;
- create liens on the collateral; or

incur additional indebtedness, without obtaining the prior consent of the lenders, which consent may not be unreasonably withheld.

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

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

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

As of December 31, 2005, our aggregate warehouse and repurchase facility borrowings under these facilities were \$225.2 million and \$1.2 billion, respectively, at an average interest rate of approximately 4.89%.

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

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

- interest rates on our loans compared to market interest rates;
- the borrower credit risk classification;

- loan-to-value ratios, loan terms, underwriting and documentation; and
 - general economic conditions.

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

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

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

- sell assets in adverse market conditions;
- borrow on unfavorable terms; or

distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt, in order to comply with the REIT distribution requirements.

Inflation

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

Contractual Obligations

The Company had the following contractual obligations (excluding derivative financial instruments) at December 31, 2005:

(\$ in thousands)	Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Reverse repurchase agreements	\$ 1,166,499	\$ 1,166,499	—	—	—
Warehouse facilities	225,186	225,186	—	—	—
Operating leases	16,768	4,685	9,967	2,116	—
Collateralized debt obligations(1)	228,226	33,233	95,949	36,122	62,922
Subordinated debentures	45,000	—	—	—	45,000
Employment agreements(2)	7,385	1,846	5,539	—	—
	\$ 1,689,064	\$ 1,431,449	\$ 111,455	\$ 38,238	\$ 107,922

(1) Maturities of our CDOs are dependent upon cash flows received from the underlying loans receivable. Our estimate of their repayment is based on scheduled principal payments on the underlying loans receivable. This estimate will differ from actual amounts to the extent prepayments and/or loan losses are experienced.

(2) Represents base cash compensation of executive officers.

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New Accounting Pronouncements

In December, 2004 the Financial Accounting Standards Board (“FASB”) issued SFAS No. 123R, “Share-Based payment,” (“SFAS No. 123R”) which will require all companies to measure compensation costs for all share-based payments, including employee stock options, at fair value. This statement will be effective for our company with the quarter beginning January 1, 2006. We have elected to expense share based compensation in accordance with SFAS No. 123, therefore proactively adopting the requirements of SFAS No. 123R.

Item 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

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

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

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

Interest Rate Risk

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

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

In our investment portfolio, our primary market risk is interest rate risk. Interest rate risk can be defined as the sensitivity of our portfolio, including future earnings potential, prepayments, valuations and overall liquidity. We attempt to manage interest rate risk by adjusting portfolio compositions, liability maturities and utilizing interest rate derivatives including interest rate swaps and caps. Management's goal is to maximize the earnings potential of the portfolio while maintaining long term stable portfolio valuations.

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

Based on the results of this model, as of December 31, 2005, an instantaneous shift of 100 basis points in interest rates would result in an approximate decrease in the net interest spread by 30-35 basis points as compared to our base line projections over the next year.

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

	December 31, 2005		
	Notional Amount	Carrying Amount	Estimated Fair Value
Investment securities available for sale	\$ 719,701	\$ 716,482	\$ 716,482
Mortgage loans held for investment	4,054	4,060	4,079
Mortgage loans held in the securitization trusts	771,451	776,610	775,311
Mortgage loans held for sale	108,244	108,271	109,252
Commitments and contingencies:			
Interest rate lock commitments - loan commitments	130,320	123	123
Interest rate lock commitments - mortgage loans held for sale	108,109	(14)	(14)
Forward loan sales contracts	51,763	(380)	(380)
Interest rate swaps	645,000	6,383	6,383
Interest rate caps	1,858,860	3,340	3,340

	December 31, 2004		
	Notional Amount	Carrying Amount	Estimated Fair Value
Investment securities available for sale	\$ 1,194,055	\$ 1,204,745	\$ 1,204,745
Mortgage loans held for investment	188,859	190,153	190,608
Mortgage loans held for sale	85,105	85,385	86,098
Commitments and contingencies:			
Interest rate lock commitments	156,110	38	38
Forward loan sales contracts	97,080	(165)	(165)
Interest rate swaps	670,000	3,228	3,228
Interest rate caps	250,000	411	411

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

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

Conversely, if interest rates rise or if the differences between long-term and short-term interest rates increase the rate of prepayment on our mortgage assets may decrease. Decreased prepayments would cause us to amortize the premiums paid for our ARM assets over a longer time period, thus resulting in an increased net yield on our mortgage

assets. Therefore, in rising interest rate environments where prepayments are declining, not only would the interest rate on the ARM Assets portfolio increase to re-establish a spread over the higher interest rates, but the yield also would rise due to slower prepayments. The combined effect could significantly mitigate other negative effects that rising short-term interest rates might have on earnings.

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

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

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

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

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

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

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

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

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

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Our hedging transactions using derivative instruments also involve certain additional risks such as counterparty credit risk, the enforceability of hedging contracts and the risk that unanticipated and significant changes in interest rates will cause a significant loss of basis in the contract. The counterparties to our derivative arrangements are major financial institutions and securities dealers that are well capitalized with high credit ratings and with which we may also have other financial relationships. While we do not anticipate nonperformance by any counterparty, we are exposed to potential credit losses in the event the counterparty fails to perform. Our exposure to credit risk in the event of default by a counterparty is the difference between the value of the contract and the current market price. There can be no assurance that we will be able to adequately protect against the forgoing risks and will ultimately realize an economic benefit that exceeds the related expenses incurred in connection with engaging in such hedging strategies.

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

Credit Spread Exposure

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

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

Market (Fair Value) Risk

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

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

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

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

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

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

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

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

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

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

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

The table below presents the sensitivity of the market value of our portfolio using a discounted cash flow simulation model. Application of this method results in an estimation of the percentage change in the market value of our assets, liabilities and hedging instruments per 100 basis point ("bp") shift in interest rates expressed in years - a measure commonly referred to as duration. Positive portfolio duration indicates that the market value of the total portfolio will decline if interest rates rise and increase if interest rates decline. The closer duration is to zero, the less interest rate changes are expected to affect earnings. Included in the table is a "Base Case" duration calculation for an interest rate scenario that assumes future rates are those implied by the yield curve as of December 31, 2005. The other two scenarios assume interest rates are instantaneously 100 and 200 bps higher than those implied by market rates as of December 31, 2005.

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

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

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Net Portfolio Duration
December 31, 2005

	Base	Basis point increase	
		+100	+200
Mortgage Portfolio	1.20 years	1.56 years	1.69 years
Borrowings (including hedges)	0.29	0.29	0.29
Net	0.91 years	1.27 years	1.40 years

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

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

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

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

Liquidity and Funding Risk

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

Our mortgage lending operations require significant cash to fund loan originations. Our warehouse lending arrangements, including repurchase agreements, support the mortgage lending operation. Generally, our warehouse mortgage lenders allow us to borrow between 96% and 100% of the outstanding principal. Funding for the difference - generally 2% of the principal - must come from other cash inflows. Our operating cash inflows are predominately from cash flow from mortgage securities, principal and interest on mortgage loans, third party sales of originated loans

that do not fit our portfolio investment criteria, and fee income from loan originations. Other than access to our financing facilities, proceeds from equity offerings have been used to support operations.

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

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Incoming cash on our mortgage loans and securities is a principal source of cash. The volume of cash depends on, among other things, interest rates. The volume and quality of such incoming cash flows can be impacted by severe and immediate changes in interest rates. If rates increase dramatically, our short-term funding costs will increase quickly. While many of our loans are hybrid ARMs, they typically will not reset as quickly as our funding costs creating a reduction in incoming cash flow. Our derivative financial instruments are used to mitigate the effect of interest rate volatility.

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

Prepayment Risk

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

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

For the three months ended December 31, 2005, our mortgage assets paid down at an approximate average annualized Constant Paydown Rate (“CPR”) of 31%, compared to 30% for the three months ended September 30, 2005, to 27% for the three months ended June 30, 2005, to 22% for the three months ended March 31, 2005 and 24% for the three months ended December 31, 2004. The constant prepayment rate averaged approximately 33% during the year of operations ended December 31, 2005. When prepayment experience increases, we have to amortize our premiums over a shorter time period, resulting in a reduced yield to maturity on our ARM Assets. Conversely, if actual prepayment experience decreases, we would amortize the premium over a longer time period, resulting in a higher yield to maturity. We monitor our prepayment experience on a monthly basis and adjust the amortization of the net premium, as appropriate.

Credit Risk

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

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

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

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

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements of the Company and the related notes and schedules to the financial statements, together with the Report of Independent Registered Public Accounting Firm thereon, as required by this Item 8, are set forth beginning on page F-1 of this annual report on Form 10-K.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management timely. An evaluation was performed under the supervision and with the participation of our management, including our Co-Chief Executive Officers and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2005. Based upon that evaluation, our management, including our Co-Chief Executive Officers and our Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of December 31, 2005.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officers and principal financial officer, the Company conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "*Internal Control - Integrated Framework*," issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our evaluation under the framework in *Internal Control - Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2005. Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein beginning on page F-2 of this annual report on Form 10-K.

Item 9B. OTHER INFORMATION

On February 28, 2006, the Compensation Committee of the Company's Board of Directors granted 2005 cash incentive bonuses to each of the Company's executive officers and is summarized in the following table along with 2006 contractual salaries:

	2006 Annual Salary(1)	2005 Cash Bonus(2)
Steven B. Schnall Chairman of the Board and Co-Chief Executive Officer	\$ 409,500	\$ 35,000
David A. Akre Co-Chief Executive Officer	409,500	35,000

Michael I. Wirth Executive Vice President and Chief Financial Officer	336,000	105,000
Joseph V. Fierro Chief Operating Officer of NYMC	330,750	20,000
Steven R. Mumma Vice President and Chief Investment and Operating Officer	\$ 300,000	\$ 105,000

- (1) Pursuant to each of the executive officer's employment agreements, 2006 base salaries reflect a 3.4% increase over base salary as established in 2005.

There was no change to the fees payable to our directors. Our Board of Directors approved the grant of 2,500 shares of stock on September 15, 2005 to each of our non-employee directors. These stock awards vest immediately upon issuance.

On December 13, 2005, NYMC Loan Corporation, a wholly owned subsidiary of New York Mortgage Trust, Inc. (the "Company"), and the Company entered into a \$300 million master repurchase agreement (the "Agreement") with DB Structured Products, Inc., Aspen Funding Corp. and Newport Funding Corp. (each a "Buyer" and collectively the "Buyers") to finance, on a short-term basis, mortgage loans originated by The New York Mortgage Company, LLC ("assets"). The Company guaranteed the payment and performance of NYMC Loan Corporation, as Seller, under the Agreement. Under the Agreement, the Seller will sell assets to the Buyers and agrees to repurchase those assets on a date certain. The purchase price for assets will generally be an amount equal to the product of the market value of the assets to be sold multiplied by a percentage of the purchase price that generally ranges from 75% to 98% of the asset's market value, depending on the type of mortgage asset being financed and whether the asset is performing or non-performing. In general, the repurchase price will equal the original purchase price plus accrued but unpaid interest. Pursuant to the terms of the Agreement, the Seller will pay interest to the Buyers at a fixed percentage over LIBOR depending on collateral type. All of the Seller's interest in the transferred assets pass to the Buyers on the purchase date. Upon receipt of the purchase price, the Buyers shall transfer their ownership interests in the asset back to the Seller. The Agreement is a \$300 million uncommitted lending facility, meaning the Buyers must agree to each asset financed under the Agreement. The facility established by the Agreement is set to expire on December 12, 2006. If the market value of an asset financed under the facility declines to less than the related Buyer's purchase price (the "margin deficit"), then the Buyers may require that the Seller transfer cash in an amount equal to such margin deficit or additional loans or may retain any funds received by it to which the Seller would otherwise be entitled.

The Company and the Seller are required to maintain certain routine covenants during the term of the Agreement, including without limitation, maintaining a certain level of net worth, not exceeding a certain indebtedness ratio, providing financial reports, not undertaking a merger or other fundamental transaction, and maintaining a certain level of profitability. The Agreement requires that all assets subject to the facility have the related loan documents delivered to LaSalle Bank, National Association, who holds them as a custodian so long as they are subject to the facility.

In addition to being an uncommitted facility, if an event of default (as defined in the Agreement) occurs, the Seller will be unable to finance assets under the facility and its obligation to repurchase assets financed under the facility may, at the option of the Buyers, be accelerated. The definition of an event of default includes, among others, the following events: (i) failure to pay sums due under the Agreement, (ii) failure to repurchase an asset as required, (iii) a default on other obligations of the Company or Seller that involves the failure to pay a matured obligation or permits the acceleration of the maturity of the obligation, (iv) a material adverse change in the Company's or Seller's property, business, or financial condition, and (v) undergoing a change in control of the Company.

If the Seller defaults under the Agreement, then the Buyers have most standard remedies, including, demanding all assets be repurchased and selling the assets subject to the facility. Pursuant to an amended and restated guaranty of the Company, the Company fully and unconditionally guarantees the obligations of the Sellers under the terms of this

Agreement.

On January 5, 2006, the Company and its wholly-owned subsidiaries, The New York Mortgage Company, LLC (“NYMC”) and New York Mortgage Funding, LLC (“NYMF”) (the Company, NYMC and NYMF, each a Seller and together, the “Sellers”), entered into a \$250 million master repurchase agreement with Greenwich Capital Products, Inc. (“GCM”). The terms of the agreement between the Sellers and GCM are substantially similar to the Agreement described above. The agreement between the Sellers and GCM is a full-recourse facility against the Sellers and all obligations of the Sellers are joint and several. This agreement with GCM is set to expire on December 4, 2006.

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PART III

Item 10. *DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT*

Information on our directors and executive officers is incorporated by reference from our Proxy Statement (under the headings “Proposal 1: Election of Directors,” “Information on Our Board of Directors and its Committees,” “Section 16(a) Beneficial Ownership Reporting Compliance” and “Executive Officers and Significant Employees”) to be filed with respect to our Annual Meeting of Stockholders to be held June 14, 2006 (the “2006 Proxy Statement”).

Because our common stock is listed on the NYSE, our Co-Chief Executive Officers are required to make an annual certification to the NYSE stating that they are not aware of any violation by us of the corporate governance listing standards of the NYSE. Our Co-Chief Executive Officers made their annual certification to that effect to the NYSE as of June 30, 2005. In addition, we have filed, as exhibits to this Annual Report on Form 10-K, the certifications of our principal executive officers and principal financial officer required under Section 302 of the Sarbanes Oxley Act of 2002.

Item 11. *EXECUTIVE COMPENSATION*

The information presented under the headings “Compensation of Directors” and “Executive Compensation” in our 2006 Proxy Statement to be filed with the SEC is incorporated herein by reference.

Item 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

The information presented under the heading “Security Ownership of Certain Beneficial Owners and Management” in our 2006 Proxy Statement to be filed with the SEC is incorporated herein by reference.

The information presented under the heading “Market for the Registrant’s Common Equity and Related Stockholder Matters — Securities Authorized for Issuance Under Equity Compensation Plans” in Item 5 of Part II of this Form 10-K is incorporated herein by reference.

Item 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS*

The information presented under the heading “Certain Relationships and Related Transactions” in our 2006 Proxy Statement to be filed with the SEC is incorporated herein by reference.

Item 14. *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

The information presented under the headings “Principal Accountant Fees and Services” and “Audit Committee Pre-Approval Policy” in our 2006 Proxy Statement to be filed with the SEC is incorporated herein by reference.

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PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Schedules. The following financial statements and schedules are included in this report:

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(b) Exhibits.

The exhibits required by Item 601 of Regulation S-K are listed below. Management contracts or compensatory plans are filed as Exhibits

Exhibit	Description
<u>3.2(b)</u>	Amendment No. 1 to Bylaws
<u>21.1</u>	List of Subsidiaries of the Registrant.
<u>23.1</u>	Consent of Independent Registered Public Accounting Firm (Deloitte & Touche LLP).
<u>31.1</u>	Section 302 Certification of Co-Chief Executive Officer.
<u>31.2</u>	Section 302 Certification of Co-Chief Executive Officer.
<u>31.3</u>	Section 302 Certification of Chief Financial Officer.
<u>32.1</u>	Section 906 Certification of Co-Chief Executive Officers.
<u>32.2</u>	Section 906 Certification of Chief Financial Officer.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 16, 2006

By: /s/ STEVEN B. SCHNALL

Name: Steven B. Schnell
 Title: Co-Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Steven B. Schnell Steven B. Schnell	Chairman of the Board, President, and Co-Chief Executive Officer (Principal Executive Officer)	March 16, 2006
/s/ David A. Akre David A. Akre	Co-Chief Executive Officer and Director	March 16, 2006
/s/ Michael I. Wirth Michael I. Wirth	Executive Vice President, Chief Financial Officer, secretary and Treasurer (Principal Financial Officer)	March 16, 2006
/s/ David R. Bock David R. Bock	Director	March 16, 2006
/s/ Alan L. Hainey Alan L. Hainey	Director	March 16, 2006
/s/ Steven G. Norcutt Steven G. Norcutt	Director	March 16, 2006
/s/ Mary Dwyer Pembroke Mary Dwyer Pembroke	Director	March 16, 2006
/s/ Jerome F. Sherman Jerome F. Sherman	Director	March 16, 2006
/s/ Thomas W. White Thomas W. White	Director	March 16, 2006

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NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AND

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

For Inclusion in Form 10-K

Filed with

Securities and Exchange Commission

December 31, 2005

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
New York Mortgage Trust, Inc.
New York, NY

We have audited management's assessment, included in Management's Report on Internal Control over Financial Reporting at Item 9A, that New York Mortgage Trust, Inc. and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2005 of the Company and our report dated March 15, 2006 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

New York, NY
March 15, 2006

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
New York Mortgage Trust, Inc.
New York, NY

We have audited the accompanying consolidated balance sheets of New York Mortgage Trust, Inc. and subsidiaries (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders'/members' equity, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of New York Mortgage Trust, Inc. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2006 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

New York, NY
March 15, 2006

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NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Dollar amounts in thousands)

	December 31, 2005	December 31, 2004
ASSETS		
Cash and cash equivalents	\$ 9,056	\$ 7,613
Restricted cash	5,468	2,342
Investment securities — available for sale	716,482	1,204,745
Due from loan purchasers	121,813	79,904
Escrow deposits — pending loan closings	1,434	16,236
Accounts and accrued interest receivable	14,866	15,554
Mortgage loans held for sale	108,271	85,385
Mortgage loans held in securitization trusts	776,610	—
Mortgage loans held for investment	4,060	190,153
Prepaid and other assets	16,505	4,351
Derivative assets	9,846	3,678
Property and equipment, net	6,882	4,801
TOTAL ASSETS	\$ 1,791,293	\$ 1,614,762
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Financing arrangements, portfolio investments	\$ 1,166,499	\$ 1,111,393
Financing arrangements, loans held for sale/for investment	225,186	359,203
Collateralized debt obligations	228,226	—
Due to loan purchasers	1,652	351
Accounts payable and accrued expenses	22,794	19,485
Subordinated debentures	45,000	—
Derivative liabilities	394	165
Other liabilities	584	4,683
Total liabilities	1,690,335	1,495,280
COMMITMENTS AND CONTINGENCIES (Note 12)		
STOCKHOLDERS' EQUITY:		
Common stock, \$0.01 par value, 400,000,000 shares authorized 18,258,221 shares issued and 17,953,674 outstanding at December 31, 2005 and 18,217,498 shares issued and 17,797,375 outstanding at December 31, 2004	183	181
Additional paid-in capital	107,573	119,045
Accumulated other comprehensive income	1,910	256
Accumulated deficit	(8,708)	—
Total stockholders' equity	100,958	119,482
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,791,293	\$ 1,614,762

See notes to consolidated financial statements.

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NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollar amounts in thousands, except per share data)

	For the Year Ended December 31,		
	2005	2004	2003
REVENUES:			
Interest income:			
Investment securities and loans held in securitization trusts	\$ 55,050	\$ 19,671	\$ —
Loans held for investment	7,675	723	—
Loans held for sale	14,751	6,905	7,609
Total interest income	77,476	27,299	7,609
Interest expense:			
Investment securities and loans held in securitization trusts	42,001	11,982	—
Loans held for investment	5,847	488	—
Loans held for sale	10,252	3,543	3,266
Subordinated debentures	2,004	—	—
Total interest expense	60,104	16,013	3,266
Net interest income	17,372	11,286	4,343
Other income (expense):			
Gain on sales of mortgage loans	26,783	20,835	23,031
Brokered loan fees	9,991	6,895	6,683
Gain on sales of securities and related hedges	2,207	774	—
Impairment loss on investment securities	(7,440)	—	—
Miscellaneous income	232	227	45
Total other income (expense)	31,773	28,731	29,759
EXPENSES:			
Salaries, commissions and benefits	30,979	17,118	9,247
Brokered loan expenses	7,543	5,276	3,734
Occupancy and equipment	6,127	3,529	2,018
Marketing and promotion	4,861	3,190	1,008
Data processing and communications	2,371	1,598	608
Office supplies and expenses	2,333	1,519	803
Professional fees	4,742	2,005	959
Travel and entertainment	840	612	666
Depreciation and amortization	1,716	690	412
Other	1,522	792	921
Total expenses	63,034	36,329	20,376
(LOSS)/INCOME BEFORE INCOME TAX BENEFIT	(13,889)	3,688	13,726
Income tax benefit	8,549	1,259	—
NET (LOSS)/INCOME	\$ (5,340)	\$ 4,947	\$ 13,726
Basic (loss)/income per share	\$ (0.30)	\$ 0.28	—
Diluted (loss)/income per share	\$ (0.30)	\$ 0.27	—
Weighted average shares outstanding-basic(1)	17,873	17,797	—
Weighted average shares outstanding-diluted(1)	17,873	18,011	—

(1) Weighted average shares outstanding-basic and diluted assume the shares outstanding upon the Company's initial public offering are outstanding for the full year.

See notes to consolidated financial statements.

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NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES

STATEMENTS OF STOCKHOLDERS'/MEMBERS' EQUITY

For the Years Ended December 31, 2005, 2004 and 2003

(Dollar amounts in thousands)

	Common Stock	Additional Paid-In Capital	Stockholders' Members Equity/Deficit	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income (Loss)	Total
BALANCE, JANUARY 1, 2003 —						
Members' Equity	\$	\$	\$	6,469	\$ 31	\$ 6,500
Net income				13,726	—\$ 13,726	13,726
Distributions				(21,534)	—	(21,534)
Increase associated with cash flow hedges				—	51	51
Increase in net unrealized gain on available for sale securities				—	783	783
Comprehensive income				—	—\$ 14,560	—
BALANCE, DECEMBER 31, 2003 —						
Members' Deficit				(1,339)	865	(474)
Net income				4,947	—	4,947
Contributions				2,310	—	2,310
Distributions				(3,135)	—	(3,135)
Forfeiture of 47,680 escrowed shares		(493)			—	(493)
Dividends declared		(4,470)	(2,783)		—	(7,253)
Initial public offering —						
Common stock	181	121,910				122,091
Vested restricted stock		1,743				1,743
Vested performance shares		249				249
Vested stock options		106				106
Decrease in net unrealized gain on available for sale securities					(3,836)	(3,836)
Increase in net unrealized gain on derivative instruments					3,227	3,227
Comprehensive income					—\$ 4,338	—
BALANCE, DECEMBER 31, 2004 — Stockholders' Equity						
Equity	181	119,045	0	256		119,482
Net loss			(5,340)		(5,340)	(5,340)
Dividends declared		(13,375)	(3,368)			(16,743)

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Vested restricted stock	2	1,310	—	—	—	1,312
Vested performance shares	—	549	—	—	—	549
Vested stock options	—	44	—	—	—	44
Decrease in net unrealized gain on available for sale securities	—	—	—	(1,130)	(1,130)	(1,130)
Increase in net unrealized gain on derivative instruments	—	—	—	2,784	2,784	2,784
Comprehensive loss	—	—	—	-\$	(3,686)	—
BALANCE, DECEMBER 31, 2005 — Stockholders' Equity	\$	183	\$	107,573	\$	(8,708)
				\$	1,910	\$
						\$
						100,958

See notes to consolidated financial statements.

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NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollar amounts in thousands)

	For the Years Ended December 31,		
	2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss)/income	\$ (5,340)	\$ 4,947	\$ 13,726
Adjustments to reconcile net (loss)/income to net cash used in operating activities:			
Depreciation and amortization	1,716	690	412
Amortization of premium on investment securities and mortgage loans	6,269	1,667	—
Gain on sale of securities and related hedges	(2,207)	(939)	—
Impairment loss on investment securities	7,440	—	—
Origination of mortgage loans held for sale	(2,316,734)	(1,435,340)	(1,234,847)
Proceeds from sales of mortgage loans	2,293,848	1,386,124	1,232,711
Restricted stock compensation expense	1,861	1,992	—
Stock option grants — compensation expense	44	106	—
Deferred tax benefit	(8,549)	(1,309)	—
Forfeited shares-non cash		(492)	—
Change in value of derivatives	(3,155)	(314)	(107)
Loss on sale of fixed assets	27	—	—
(Increase) decrease in operating assets:			
Due from loan purchasers	(41,909)	(21,042)	(18,242)
Due from affiliate	—	—	(153)
Escrow deposits-pending loan closings	14,802	(16,236)	—
Accounts and accrued interest receivable	714	(12,846)	(1,499)
Prepaid and other assets	(3,987)	(2,211)	(1,116)
Increase (decrease) in operating liabilities:			
Due to loan purchasers	1,301	(403)	(357)
Accounts payable and accrued expenses	3,990	12,170	2,737
Other liabilities	(4,100)	4,553	(375)
Net cash used in operating activities	(53,969)	(78,883)	(7,110)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Restricted cash	(3,126)	(2,124)	(15)
Purchase of marketable securities	—	—	(2,007)
Sale of investment securities	225,326	197,350	—
Purchase of investment securities	(148,150)	(1,533,511)	—
Purchase of mortgage loans held in securitization trusts	(167,097)	—	—
Principal repayments received on loans held in securitization trust	120,835	—	—
Purchase of mortgage loans held for investment	—	(94,767)	—
Origination of mortgage loans held for investment	(558,554)	(95,386)	—
Proceeds from sale of marketable securities	—	3,580	1,354
Principal paydown on investment securities	399,694	126,944	—

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Payments received on loans held for investment	13,279	—	—
Purchases of property and equipment	(3,929)	(3,460)	(1,472)
Sale of fixed assets	75	—	—
Net cash used in investing activities	(121,647)	(1,401,374)	(2,140)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	—	122,091	—
Members' contributions	—	1,309	—
Increase in financing arrangements, net	149,315	1,380,171	17,409
Payments on subordinated notes due members	—	(13,707)	—
Dividends paid	(17,256)	(2,906)	—
Cash distributions to members	—	(3,135)	(6,858)
Issuance of subordinated debentures	45,000	—	—
Net cash provided by financing activities	177,059	1,483,823	10,551
NET INCREASE IN CASH AND CASH EQUIVALENTS			
	1,443	3,566	1,301
CASH AND CASH EQUIVALENTS — Beginning of period			
	7,613	4,047	2,746
CASH AND CASH EQUIVALENTS — End of period			
	\$ 9,056	\$ 7,613	\$ 4,047
SUPPLEMENTAL DISCLOSURE			
Cash paid for interest	\$ 57,871	\$ 11,709	\$ 2,988
NON CASH FINANCING ACTIVITIES			
Distribution to members in the form of subordinated notes	\$ —	\$ —	\$ 14,707
Reduction of subordinated notes due members	\$ —	\$ 1,000	\$ —
Dividends declared to be paid in subsequent period	\$ 3,834	\$ 4,347	\$ —
Grant of restricted stock	\$ 277	\$ 1,974	\$ —
NON CASH INVESTING ACTIVITIES			
Non-cash purchase of fixed assets	168	—	—

See notes to consolidated financial statements.

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NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (dollar amounts in thousands unless otherwise indicated)

1. Summary of Significant Accounting Policies

Organization - New York Mortgage Trust, Inc. (“NYMT” or the “Company”) is a fully-integrated, self-advised, residential mortgage finance company formed as a Maryland corporation in September 2003. The Company earns net interest income from residential mortgage-backed securities and fixed-rate and adjustable-rate mortgage loans and securities originated through its wholly-owned subsidiary, The New York Mortgage Company, LLC (“NYMC”). The Company also earns net interest income from its investment in and the securitization of certain self-originated adjustable rate mortgage loans that meet the Company’s investment criteria. Licensed, or exempt from licensing, in 43 states and the District of Columbia and through a network of 28 full-service loan origination locations and 26 satellite loan origination locations, NYMC originates a wide range of mortgage loans, with a primary focus on prime, residential mortgage loans.

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

On January 9, 2004, the Company capitalized New York Mortgage Funding, LLC (“NYMF”) as a wholly-owned subsidiary of the Company. NYMF is a qualified REIT subsidiary, or QRS, in which the Company accumulates mortgage loans that the Company intends to securitize. In June 2004, the Company sold 15 million shares of its common stock in an initial public offering (“IPO”) at a price to the public of \$9.00 per share, for net proceeds of \$122.0 million after deducting the underwriters’ discount and other offering expenses. Concurrent with the Company’s IPO, the Company issued 2,750,000 shares of common stock in exchange for the contribution to the Company of 100% of the equity interests of NYMC. Subsequent to the IPO and the contribution of NYMC, the Company had 18,114,445 shares of common stock issued and 17,797,375 shares outstanding. Prior to the IPO, NYMT did not have recurring business operations.

On February 25, 2005, the Company completed its first loan securitization of \$419.0 million high-credit quality, first-lien, adjustable rate mortgage (“ARM”) loans, by contributing loans into New York Mortgage Trust 2005-1 (“NYMT ‘05-1 Trust”). NYMT ‘05-1 Trust is a wholly-owned subsidiary of NYMT. The securitization was structured as a secured borrowing, with the line-of-credit financing used to purchase and originate the mortgage loans and refinanced through repurchase agreements upon securitization. On March 15, 2005, the Company closed a private placement of \$25.0 million of trust preferred securities issued by NYM Preferred Trust I. NYM Preferred Trust I is a wholly-owned subsidiary of NYMC. On July 28, 2005 the Company completed its second loan securitization of \$242.9 million of high-credit quality, first-lien, ARM loans, by contributing loans to New York Mortgage Trust 2005-2 (“NYMT ‘05-2 Trust”). NYMT ‘05-2 Trust is a wholly-owned subsidiary of NYMT. The securitization was structured as a secured borrowing, with the line-of-credit financing used to purchase and originate the mortgage loans and refinanced through repurchase agreements upon securitization. On September 1, 2005, the Company closed a private placement of \$20.0 million of preferred securities issued by NYM Preferred Trust II. NYM Preferred Trust II is a wholly-owned subsidiary of NYMC. On December 20, 2005 the Company completed its third loan securitization of \$235.0 million of high-credit quality, first-lien, ARM loans, by contributing loans to New York Mortgage Trust 2005-3 (“NYMT ‘05-3 Trust”). NYMT ‘05-3 Trust is a wholly-owned subsidiary of NYMT.

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

Basis of Presentation - The consolidated financial statements include the accounts of the Company subsequent to the IPO and also include the accounts of NYMC and NYMF prior to the IPO. As a result, our historical financial results reflect the financial operations of this prior business strategy of selling virtually all of the loans originated by NYMC to third parties. All intercompany accounts and transactions are eliminated in consolidation. Certain prior period amounts have been reclassified to conform to current period classifications, including the reclassification of \$4.4 million for the fiscal year ended December 31, 2004 of payables to brokers from financing arrangements, portfolio investment to other liabilities. In addition, we have reclassified restricted cash on our statement of cash flows from operating activities to cash flows from investing activities of \$2.1 million and \$15.2 thousand at December 31, 2004 and December 31, 2003, respectively.

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The combination of the Company and NYMC was accounted for as a transfer of assets between entities under common control. Accordingly, the Company has recorded assets and liabilities transferred from NYMC at their carrying amounts in the accounts of NYMC at the date of transfer.

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

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

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

Restricted Cash - Restricted cash is held by counterparties as collateral for hedging instruments, collateralized debt obligations or ("CDOs") and two letters of credit related to the Company's lease of its corporate headquarters. Restricted cash collateralizing CDOs is replaced by ARM loans within 30 days.

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

When the fair value of an available for sale security is less than amortized cost, management considers whether there is an other-than-temporary impairment in the value of the security (e.g., whether the security will be sold prior to the recovery of fair value). Management considers at a minimum the following factors that, both individually or in combination, could indicate the decline is "other-than-temporary:" 1) the length of time and extent to which the market value has been less than book value; 2) the financial condition and near-term prospects of the issuer; or 3) the intent and ability of the Company to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value. If, in management's judgment, an other-than-temporary impairment exists, the cost basis of the security is written down to the then-current fair value, and the unrealized loss is transferred from accumulated other comprehensive income as an immediate reduction of current earnings (i.e., as if the loss had been realized in the

period of impairment). Even though no credit concerns exist with respect to an available for sale security, an other-than-temporary impairment may be evident if management determines that the Company does not have the intent and ability to hold an investment until a forecasted recovery of the value of the investment.

As of December 31, 2005, management concluded, based on the decision to potentially sell in the 1st quarter of 2006 certain of its available for sale securities, that the decline in those securities was other-than-temporary. Accordingly, the cost basis of those securities of \$395.7 million was written down to fair value and an unrealized loss of \$7.4 million was transferred from accumulated other comprehensive income as an impairment loss on investment securities to the accompanying consolidated statement of operations.

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

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

Mortgage Loans Held in Securitization Trusts - Mortgage loans held in securitization trusts are certain ARM mortgage loans transferred to the NYMT '05-1 Trust, the NYMT '05-2 Trust and the NYMT '05-3 Trust that have been securitized into sequentially rated classes of beneficial interests. Mortgage loans held in securitization trusts are recorded at amortized cost, using the same accounting principles as that used for mortgage loans held for investment.

Currently the Company has retained 100% of the securities issued by NYMT '05-1 Trust and the NYMT '05-2 Trust and the securities have been financed as a secured borrowing under repurchase agreements. For our third securitization, NYMT '05-03 Trust, we sold investment grade securities to third parties which is recorded as collateralized debt obligations on the accompanying consolidated balance sheet.

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

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

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

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

The Company seeks to limit its exposure to credit losses on its portfolio of residential adjustable-rate mortgage loans held for investment (including mortgage loans held in the securitization trusts) by originating and investing in loans

primarily to borrowers with strong credit profiles, which are evaluated by analyzing the borrower's credit score ("FICO" is a credit score, ranging from 300 to 850, with 850 being the best score, based upon the credit evaluation methodology developed by Fair, Isaac and Company, a consulting firm specializing in creating credit evaluation models), employment, income and assets and related documentation, the amount of equity in and the value of the property securing the borrower's loan, debt to income ratio, credit history, funds available for closing and post-closing liquidity.

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

The allowance will be maintained through ongoing provisions charged to operating income and will be reduced by loans that are charged off. As of December 31, 2005 the allowance for loan losses is insignificant. Determining the allowance for loan losses is subjective in nature due to the estimation required.

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

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

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

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

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

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

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

effective portion of change in the fair value of the derivative is recorded in OCI and is recognized in the income statement when the hedged item affects earnings. The Company calculates the effectiveness of these hedges on an ongoing basis, and, to date, has calculated effectiveness of approximately 100%. Ineffective portions, if any, of changes in the fair value or cash flow hedges are recognized in earnings. (See Note 15).

In accordance with a Securities and Exchange Commission (“SEC”) Staff Accounting Bulletin No. 105, “Application of Accounting Principles to Loan Commitments” (“SAB 105”) issued on March 9, 2004, beginning in the second quarter of 2004, the fair value of interest rate lock commitments (“IRLCs”) excludes future cash flows related to servicing rights, if such rights are retained upon the sale of originated mortgage loans. Since the Company sells all of its originated loans with servicing released, SAB 105 had no effect on the value of its IRLCs.

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

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

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

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

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

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

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

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

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

- the items to be hedged expose the Company to interest rate risk; and

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

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

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

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

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

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

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

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

Loan Origination Fees and Direct Origination Cost - The Company records loan fees, discount points and certain incremental direct origination costs as an adjustment of the cost of the loan and such amounts are included in gain on sales of loans when the loan is sold. Accordingly, salaries, compensation, benefits and commission costs have been reduced by \$41.2 million and \$20.5 million for the years ended December 31, 2005 and 2004, respectively, because such amounts are considered incremental direct loan origination costs.

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

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

Employee Benefits Plans - The Company sponsors a defined contribution plan (the "Plan") for all eligible domestic employees. The Plan qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under the Plan, participating employees may defer up to 15% of their pre-tax earnings, subject to the annual Internal Revenue Code contribution limit. The Company matches contributions up to a maximum of 25% of the first 5% of salary. Employees vest immediately in their contribution and vest in the Company's contribution at a rate of 25% after two full years and then an incremental 25% per full year of service until fully vested at 100% after five full years of service. The Company's total contributions to the Plan were \$0.4 million and \$0.2 million for the years ended December 31, 2005 and 2004, respectively.

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

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

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

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

NYMC changed its tax status upon completion of the IPO from a non-taxable limited liability company to a taxable REIT subsidiary and therefore subsequent to the IPO, is subject to corporate Federal income taxes. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax base upon the change in tax status. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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

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

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

2. Investment Securities Available For Sale

Investment securities available for sale consist of the following as of December 31, 2005 and December 31, 2004 (dollar amounts in thousands):

	December 31, 2005	December 31, 2004
Amortized cost	\$ 720,583	\$ 1,207,715
Gross unrealized gains	1	151
Gross unrealized losses	(4,102)	(3,121)
Fair value	\$ 716,482	\$ 1,204,745

The amortized cost balance includes approximately \$388.3 million of certain lower-yielding mortgage (with rate resets of less than two years) agency securities that the Company had concluded it no longer had the intent to hold until their values recovered. Upon such determination, the Company recorded an impairment loss of \$7.4 million.

Due to their terms, none of the remaining securities with unrealized losses have been deemed to be other-than-temporarily impaired. The Company has the intent and believes it has the ability to hold such investment securities until recovery of their amortized cost. Substantially all of the Company's investment securities available for sale are pledged as collateral for borrowings under financing arrangements (Note 8).

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

	Less than 6 Months		More than 6 Months To 24 Months		More than 24 Months To 60 Months		Total	
	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield
Agency REMIC CMO Floating Rate	\$ 13,535	5.45%	\$ —	—	\$ —	—	\$ 13,535	5.45%
FHLMC Agency ARMs	—	—	91,217	3.82%	—	—	91,217	3.82%
FNMA Agency ARMs	—	—	297,048	3.91%	—	—	297,048	3.91%
Private Label ARMs	—	—	57,605	4.22%	257,077	4.57%	314,682	4.51%
Total	\$ 13,535	5.45%	\$ 445,870	3.93%	\$ 257,077	4.57%	\$ 716,482	4.19%

3. Mortgage Loans Held For Sale

Mortgage loans held for sale consist of the following as of December 31, 2005 and December 31, 2004 (dollar amounts in thousands):

	December 31, 2005		December 31, 2004	
Mortgage loans principal amount	\$ 108,244	\$ 85,105		
Deferred origination costs - net	27	280		
Mortgage loans held for sale	\$ 108,271	\$ 85,385		

Substantially all of the Company's mortgage loans held for sale are pledged as collateral for borrowings under financing arrangements (Note 9).

4. Mortgage Loans Held in Securitization Trusts

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

Mortgage loans principal amount	\$ 771,451
Deferred origination costs - net	5,159
Total mortgage loans held in securitization trusts	\$ 776,610

Substantially all of the Company's mortgage loans held in securitization trusts are pledged as collateral for borrowings under financing arrangements (Note 8) or for the collateralized debt obligation (Note 10). None of the Company's mortgage loans were held in securitization trusts at December 31, 2004.

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

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

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5. Mortgage Loans Held For Investment

Mortgage loans held for investment consist of the following at December 31, 2005 and December 31, 2004 (dollar amounts in thousands):

	December 31, 2005	December 31, 2004
Mortgage loans principal amount	\$ 4,054	\$ 188,859
Deferred origination cost-net	6	1,294
Total mortgage loans held for investment	\$ 4,060	\$ 190,153

Substantially all of the Company's mortgage loans held for investment are pledged as collateral for borrowings under financing arrangements (Note 9).

6. Property and Equipment — Net

Property and equipment consist of the following as of December 31, 2005 and December 31, 2004 (dollar amounts in thousands):

	December 31, 2005	December 31, 2004
Office and computer equipment	\$ 6,292	\$ 3,191
Furniture and fixtures	2,306	2,032
Leasehold improvements	1,429	1,138
Total premises and equipment	10,027	6,361
Less: accumulated depreciation and amortization	(3,145)	(1,560)
Property and equipment - net	\$ 6,882	\$ 4,801

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7. Derivative Instruments and Hedging Activities

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

The following table summarizes the estimated fair value of derivative assets and liabilities as of December 31, 2005 and December 31, 2004 (dollar amounts in thousands):

	December 31, 2005	December 31, 2004
Derivative Assets:		
Interest rate caps	\$ 3,340	\$ 411
Interest rate swaps	6,383	3,229
Interest rate lock commitments - loan commitments	123	5
Interest rate lock commitments - mortgage loans held for sale	—	33
Total derivative assets	\$ 9,846	\$ 3,678
Derivative Liabilities:		
Forward loan sale contracts - loan commitments	(38)	(24)
Forward loan sale contracts - mortgage loans held for sale	(18)	(2)
Forward loan sale contracts - TBA securities	(324)	(139)
Interest rate lock commitments - mortgage loans held for sale	(14)	—
Total derivative liabilities	\$ (394)	\$ (165)

The notional amounts of the Company's interest rate swaps, interest rate caps and forward loan sales contracts as of December 31, 2005 were \$645.0 million, \$1.9 billion and \$51.8 million, respectively.

The notional amounts of the Company's interest rate swaps, interest rate caps and forward loan sales contracts as of December 31, 2004 were \$670.0 million, \$250.0 million and \$97.1 million, respectively.

The Company estimates that over the next twelve months, approximately \$5.2 million of the net unrealized gains on the interest rate swaps will be reclassified from accumulated OCI into earnings.

8. Financing Arrangements, Portfolio Investments

The Company has entered into repurchase agreements with third party financial institutions to finance its residential mortgage-backed securities and mortgage loans held in the securitization trusts. The repurchase agreements are short-term borrowings that bear interest rates based on a spread to LIBOR, and are secured by the residential mortgage-backed securities and mortgage loans held in the securitization trusts which they finance. At December 31, 2005, the Company had repurchase agreements with an outstanding balance of \$1.2 billion and a weighted average interest rate of 4.37%. As of December 31, 2004, the Company had repurchase agreements with an outstanding balance of \$1.1 billion and a weighted average interest rate of 2.35%. At December 31, 2005 and 2004 securities and mortgage loans pledged as collateral for repurchase agreements had estimated fair values of \$1.2 billion. As of December 31, 2005 all of the repurchase agreements will mature within 30 days, with weighted average days to

maturity equal to 22 days. The Company has available to it \$5.4 billion in commitments to provide financings through such arrangements with 23 different counterparties.

The follow table summarizes outstanding repurchase agreement borrowings secured by portfolio investments as of December 31, 2005 and December 31, 2004 (dollars amounts in thousands):

Repurchase Agreements by Counterparty

Counterparty Name	December 31, 2005	December 31, 2004
Banc of America Securities LLC	\$ —	\$ 140,000
Citigroup Global Markets Inc.	200,000	—
Countrywide Securities Corporation	109,632	100,000
Credit Suisse First Boston LLC	148,131	200,000
Deutsche Bank Securities Inc.	205,233	—
Goldman, Sachs & Co.	—	238,000
HSBC	163,781	—
J.P. Morgan Securities Inc.	37,481	—
Merrill Lynch Government Securities Inc.	—	128,000
UBS Securities LLC	—	260,393
Wachovia	—	45,000
WaMu Capital Corp	158,457	—
West LB	143,784	—
Total Financing Arrangements, Portfolio Investments	\$ 1,166,499	\$ 1,111,393

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9. Financing Arrangements, Mortgage Loans Held for Sale/for Investment

Financing arrangements secured by mortgage loans held for sale or for investment consist of the following as of December 31, 2005, and December 31, 2004 (dollar amounts in thousands):

	December 31, 2005	December 31, 2004
\$250 million master repurchase agreement with Greenwich Capital expiring on December 4, 2006 bearing interest at one-month LIBOR plus spreads from 0.75% to 1.25% (5.137% at December 31, 2005 and 3.16% at December 31, 2004). Principal repayments are required 120 days from the funding date(a)	\$ 81,577	\$ 215,612
\$200 million revolving line of credit agreement with CSFB expiring on March 31, 2006 bearing interest at daily LIBOR plus spreads from 0.75% to 2.000% depending on collateral (4.3413% at December 31, 2005 and 3.599% at December 31, 2004). Principal repayments are required 90 days from the funding date	143,609	73,752
\$150 million revolving line of credit agreement with HSBC expiring on September 30, 2005 bearing interest at one-month LIBOR plus spreads from 1.00% to 1.25% (4.294 at December 31, 2005 and 3.29% at December 31, 2004) (b)	—	69,839
	\$ 225,186	\$ 359,203

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

(b) The HSBC credit facility was terminated by mutual agreement effective September 30, 2005 and was paid in full on December 31, 2005.

The lines of credit are secured by all of the mortgage loans held by the Company, except for the loans held in the securitization trusts. The lines contain various covenants pertaining to, among other things, maintenance of certain amounts of net worth, periodic income thresholds and working capital. As of December 31, 2005, the Company was in compliance with all covenants with the exception of the net income covenant on the CSFB and Greenwich facilities and waivers have been obtained from these institutions. As these annual agreements are negotiated for renewal, these covenants may be further modified. The agreements are each renewable annually, but are not committed, meaning that the counterparties to the agreements may withdraw access to the credit facilities at any time.

10. Collateralized Debt Obligations

The CDO issued on December 20, 2005 is secured by ARM loans and restricted cash placed as collateral for prefunded loans which will be replaced by ARM loans within 30 days. For financial reporting purposes, the ARM loans and restricted cash held as collateral are recorded as assets of the Company and the CDO is recorded as the Company's debt. The transaction includes an amortizing interest rate cap contract with an initial notional amount of \$230.6 million which is held by the trust and recorded as an asset of the Company. The amortizing interest rate cap contract limits the interest rate exposure on this transaction. As of December 31, 2005 CDO outstanding totaled

\$228.2 million net of issuance costs with an average interest rate of 4.68%. The CDO is collateralized by ARM loans with a principal balance of \$235.0 million including the prefunding amount of \$4.6 million.

11. Subordinated Debentures

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

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On March 15, 2005 the Company closed a private placement of \$25.0 million of trust preferred securities to Taberna Preferred Funding I, Ltd., a pooled investment vehicle. The securities were issued by NYM Preferred Trust I and are fully guaranteed by the Company with respect to distributions and amounts payable upon liquidation, redemption or repayment. These securities have a floating interest rate equal to three-month LIBOR plus 3.75%, resetting quarterly (7.77% at December 31, 2005). The securities mature on March 15, 2035 and may be called at par by the Company any time after March 15, 2010. NYMC entered into an interest rate cap agreement to limit the maximum interest rate cost of the trust preferred securities to 7.5%. The term of the interest rate cap agreement is five years and resets quarterly in conjunction with the reset periods of the trust preferred securities. The interest rate cap agreement is accounted for as a cash flow hedge transaction in accordance with SFAS No.133. In accordance with the guidelines of SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", the issued preferred stock of NYM Preferred Trust I has been classified as subordinated debentures in the liability section of the Company's consolidated balance sheet.

12. Commitments and Contingencies

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

Loans Funding and Delivery Commitments - At December 31, 2005 and December 31, 2004 the Company had commitments to fund loans with agreed-upon rates totaling \$130.3 million and \$156.1 million, respectively. The Company hedges the interest rate risk of such commitments and the recorded mortgage loans held for sale balances primarily with FSLCs, which totaled \$51.8 million and \$97.1 million at December 31, 2005 and December 31, 2004, respectively. The remaining commitments to fund loans with agreed-upon rates are anticipated to be sold through optional delivery contract investor programs. The Company does not anticipate any material losses from such sales.

Net Worth Requirements - NYMC is required to maintain certain specified levels of minimum net worth to maintain its approved status with Fannie Mae, Freddie Mac, HUD and other investors. As of December 31, 2005 NYMC is in compliance with all minimum net worth requirements.

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

Leases - The Company leases its corporate offices and certain retail facilities and equipment under short-term lease agreements expiring at various dates through 2010. All such leases are accounted for as operating leases. Total rental expense for property and equipment amounted to \$4.6 million, \$3.3 million and \$2.1 million for the years ended December 31, 2005, 2004 and 2003, respectively. On February 11, 2005, the Company signed a letter of intent to enter into a sub-lease for its former headquarters space at 304 Park Avenue in New York. The Company's remaining contractual obligation to the landlord on this lease is \$1.8 million. The sub-lease tenant will have a contractual rent obligation to the Company under the sub-lease of \$1.0 million. This transaction was completed in late March 2005. Accordingly, during the first quarter of 2005, the Company recognized a charge of \$0.8 million to earnings.

As of December 31, 2005 obligations under non-cancelable operating leases that have an initial term of more than one year are as follows (dollar amounts in thousands):

Year Ending December 31,

2006	\$	4,685
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2007	4,171
2008	3,442
2009	2,354
2010	2,116
Thereafter	—
	\$ 16,768

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

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

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

13. Related Party Transactions

Upon completion of the Company's IPO and acquisition of NYMC, Steven B. Schnall and Joseph V. Fierro, the former owners of NYMC, were entitled to a distribution of NYMC's retained earnings through the close of the Company's IPO on June 29, 2004, not to exceed \$4.5 million. As a result, a distribution of \$2.4 million (\$0.4 million of retained earnings as of March 31, 2004 plus an estimate of \$2.0 million for NYMC's earnings through June 29, 2004) was made to the former owners upon the close of the IPO. The subsequent earnings and elimination of distributions and unrealized gains and losses attributable to NYMC for the period prior to June 29, 2004 equated to a distribution overpayment of \$1.3 million, for which Messrs. Schnall and Fierro reimbursed the Company immediately upon the finalization of the overpayment calculation in July 2004.

Steven B. Schnall owns a 48% membership interest and Joseph V. Fierro owns a 12% membership interest in Centurion Abstract, LLC ("Centurion"), which provides title insurance brokerage services for certain title insurance providers. From time to time, NYMC refers its mortgage loan borrowers to Centurion for assistance in obtaining title insurance in connection with their mortgage loans, although the borrowers have no obligation to utilize Centurion's services. When NYMC's borrowers elect to utilize Centurion's services to obtain title insurance, Centurion collects various fees and a portion of the title insurance premium paid by the borrower for its title insurance. Centurion received \$0.6 million in fees and other amounts from NYMC borrowers for the year ended December 31, 2005. NYMC does not economically benefit from such referrals.

14. Concentrations of Credit Risk

The Company has originated loans predominantly in the eastern United States. Loan concentrations are considered to exist when there are amounts loaned to a multiple number of borrowers with similar characteristics, which would cause their ability to meet contractual obligations to be similarly impacted by economic or other conditions. At December 31, 2005 and December 31, 2004, there were geographic concentrations of credit risk exceeding 5% of the total loan balances within mortgage loans held for sale as follows:

	December 31, 2005	December 31, 2004
New York	43.0%	70.2%
Massachusetts	17.8%	6.6%
Florida	9.7%	1.9%
Connecticut	5.8%	5.0%
New Jersey	5.1%	7.4%

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At December 31, 2005 and December 31, 2004, there were geographic concentrations of credit risk exceeding 5% of the total loan balances within mortgage loans held in the securitization trusts and mortgage loans held for investment as follows:

	December 31, 2005	December 31, 2004
New York	32.7%	30.7%
Massachusetts	19.4%	1.4%
California	14.1%	51.3%
New Jersey	5.8%	5.5%
Florida	5.4%	1.4%

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15. Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

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

e. *Interest Rate Lock Commitments* - The fair value of IRLCs is estimated using the fees and rates currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference

between current levels of interest rates and the committed rates. The fair value of IRLCs is determined in accordance with SAB 105.

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

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

	December 31, 2005		
	Notional Amount	Carrying Amount	Estimated Fair Value
Investment securities available for sale	\$ 719,701	\$ 716,482	\$ 716,482
Mortgage loans held for investment	4,054	4,060	4,079
Mortgage loans held in the securitization trusts	771,451	776,610	775,311
Mortgage loans held for sale	108,244	108,271	109,252
Commitments and contingencies:			
Interest rate lock commitments - loan commitments	130,320	123	123
Interest rate lock commitments - mortgage loans held for sale	108,109	(14)	(14)
Forward loan sales contracts	51,763	(380)	(380)
Interest rate swaps	645,000	6,383	6,383
Interest rate caps	1,858,860	3,340	3,340

	December 31, 2004		
	Notional Amount	Carrying Amount	Estimated Fair Value
Investment securities available for sale	\$ 1,194,055	\$ 1,204,745	\$ 1,204,745
Mortgage loans held for investment	188,859	190,153	190,608
Mortgage loans held for sale	85,105	85,385	86,098
Commitments and contingencies:			
Interest rate lock commitments	156,110	38	38
Forward loan sales contracts	97,080	(165)	(165)
Interest rate swaps	670,000	3,228	3,228
Interest rate caps	250,000	411	411

16. Income taxes

NYMT and its taxable subsidiary, NYMC, were S corporations prior to June 29, 2004 pursuant to the Internal Revenue Code of 1986, as amended, and as such did not incur any federal income tax expense.

On June 29, 2004, NYMC became a C corporation for federal and state income tax purposes and as such is subject to federal and state income tax on its taxable income for periods after June 29, 2004.

A reconciliation of the statutory income tax provision (benefit) to the effective income tax provision for the years ended December 31, 2005 and December 31, 2004, is as follows (dollar amounts in thousands).

	December 31, 2005	December 31, 2004
Tax at statutory rate (35%)	\$ (4,861)	\$ 1,291
Non-taxable REIT income	(2,038)	(2,559)
Transfer pricing of loans sold to nontaxable parent	555	292
State and local taxes	(1,731)	(372)

Change in tax status	(453)	299
Income earned prior to taxable status	—	(207)
Miscellaneous	(21)	(3)
Total provision (benefit)	\$ (8,549)	\$ (1,259)

The income tax benefit for the year ended December 31, 2005 is comprised of the following components (dollar amounts in thousands):

	Deferred	Total
Regular tax benefit		
Federal	\$ (6,818)	\$ (6,818)
State	(1,731)	(1,731)
Total tax benefit	\$ (8,549)	\$ (8,549)

The income tax benefit for the year ended December 31, 2004 is comprised of the following components:

	Current	Deferred	Total
Regular Tax Provision (Benefit)			
Federal	—\$	(1,251)	\$ (1,251)
State	\$ 50	(327)	(277)
Total	\$ 50	\$ (1,578)	\$ (1,528)
Change in Tax Status			
Federal	—\$	213	\$ 213
State	—	56	56
	—\$	269	\$ 269
Total tax expense (benefit)	\$ 50	\$ (1,309)	\$ (1,259)

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The deferred tax asset at December 31, 2005 includes a deferred tax asset of \$10.2 million and a deferred tax liability of \$0.3 million which represents the tax effect of differences between tax basis and financial statement carrying amounts of assets and liabilities. The major sources of temporary differences and their deferred tax effect at December 31, 2005 are as follows (dollar amounts in thousands):

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

The deferred tax asset at December 31, 2004 includes a deferred tax asset of \$1.6 million and a deferred tax liability of \$0.3 million which represents the tax effect of differences between tax basis and financial statement carrying amounts of assets and liabilities. The major sources of temporary differences and their deferred tax effect at December 31, 2004 are as follows:

Deferred tax assets:	
Net operating loss carry forward	\$ 1,238
Restricted performance stock option expense	329
Management compensation	90
	1,657
Deferred tax liabilities:	
Mark-to-market adjustments	79
Depreciation	269
	348
Net deferred tax asset	\$ 1,309

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

17. Segment Reporting

The Company operates two segments:

• *Mortgage Portfolio Management*— long-term investment in high-quality, adjustable-rate mortgage loans and residential mortgage-backed securities; and

- *Mortgage Lending*— mortgage loan originations as conducted by NYMC.

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

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

Year Ended December 31, 2005
(Dollar amounts in thousands)

	Mortgage Portfolio Management Segment	Mortgage Lending Segment	Total
REVENUE:			
Interest income:			
Investment securities and loans held in the securitization trusts	\$ 55,050	\$ —	\$ 55,050
Loans held for investment	7,675	—	7,675
Loans held for sale	—	14,751	14,751
Total Interest Income	62,725	14,751	77,476
Interest expense:			
Investment securities and loans held in the securitization trusts	42,001	—	42,001
Loans held for investment	5,847	—	5,847
Loans held for sale	—	10,252	10,252
Subordinated debentures	—	2,004	2,004
Total Interest Expense	47,848	12,256	60,104
Net interest income	14,877	2,495	17,372
Other income (expense):			
Gain on sales of mortgage loans	—	26,783	26,783
Brokered loan fees	—	9,991	9,991
Gain on sale of securities and related hedges	2,207	—	2,207
Impairment loss on investment securities	(7,440)	—	(7,440)
Miscellaneous income	1	231	232
Total other income (expense)	(5,232)	37,005	31,773
EXPENSES:			
Salaries, commissions and benefits	1,934	29,045	30,979
Brokered loan expenses	—	7,543	7,543
Occupancy and equipment	33	6,094	6,127
Marketing and promotion	125	4,736	4,861
Data processing and communication	148	2,223	2,371
Office supplies and expenses	21	2,312	2,333
Professional fees	853	3,889	4,742
Travel and entertainment	6	834	840
Depreciation and amortization	8	1,708	1,716
Other	289	1,233	1,522
Total expenses	3,417	59,617	63,034
INCOME (LOSS) BEFORE INCOME TAX			
BENEFIT	6,228	(20,117)	(13,889)
Income tax benefit	—	8,549	8,549
NET INCOME (LOSS)	\$ 6,228	\$ (11,568)	\$ (5,340)

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Segment assets	\$	1,528,222	\$	263,071	\$	1,791,293
Segment equity		100,197		761		100,958

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Prior to June 29, 2004, the Company conducted only mortgage lending operations.

Year Ended December 31, 2004
(Dollar amounts in thousands)

	Mortgage Portfolio Management Segment	Mortgage Lending Segment	Total
REVENUE:			
Interest income:			
Investment securities and loans held in the securitization trusts	\$ 19,671	\$ —	\$ 19,671
Loans held for investment	723	—	723
Loans held for sale	—	6,905	6,905
Total Interest Income	20,394	6,905	27,299
Interest expense:			
Investment securities and loans held in the securitization trusts	11,982	—	11,982
Loans held for investment	488	—	488
Loans held for sale	—	3,543	3,543
Total Interest Expense	12,470	3,543	16,013
Net interest income	7,924	3,362	11,286
Other income (expense):			
Gain on sales of mortgage loans	—	20,835	20,835
Brokered loan fees	—	6,895	6,895
Gain on sale of securities	167	607	774
Miscellaneous income	—	227	227
Total other income (expense)	167	28,564	28,731
EXPENSES:			
Salaries, commissions and benefits	382	16,736	17,118
Brokered loan expenses	—	5,276	5,276
Occupancy and equipment	10	3,519	3,529
Marketing and promotion	14	3,176	3,190
Data processing and communication	174	1,424	1,598
Office supplies and expenses	4	1,515	1,519
Professional fees	149	1,856	2,005
Travel and entertainment	1	611	612
Depreciation and amortization	1	689	690
Other	45	747	792
Total expenses	780	35,549	36,329
INCOME (LOSS) BEFORE INCOME TAX			
BENEFIT	7,311	(3,623)	3,688
Income tax benefit	—	1,259	1,259
NET INCOME (LOSS)	\$ 7,311	\$ (2,364)	\$ 4,947
Segment assets	\$ 1,413,954	\$ 200,808	\$ 1,614,762
Segment equity	107,542	11,940	119,482

18.

Capital Stock and Earnings per Share

The Company had 400,000,000 shares of common stock, par value \$0.01 per share, authorized with 18,258,221 shares issued and 17,953,674 outstanding as of December 31, 2005. Of the common stock authorized, 936,111 shares were reserved for issuance as restricted stock awards to employees, officers and directors. As of December 31, 2005, 174,677 shares remain reserved for issuance.

The Company calculates basic net income per share by dividing net income (loss) for the period by weighted-average shares of common stock outstanding for that period. Diluted net income (loss) per share takes into account the effect of dilutive instruments, such as stock options and unvested restricted or performance stock, but uses the average share price for the period in determining the number of incremental shares that are to be added to the weighted-average number of shares outstanding. For the year ended December 31, 2004, weighted average shares outstanding assume that the shares outstanding upon the Company's IPO are outstanding for the full year ending December 31, 2004. Earnings per share for periods prior to the IPO are not presented as they are not representative of the Company's current capital structure.

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

	For the Year Ended December 31, 2005	For the Year Ended December 31, 2004
Numerator:		
Net income/(loss)	\$ (5,340)	\$ 4,947
Denominator:		
Weighted average number of common shares outstanding — basic	17,873	17,797
Net effect of unvested restricted stock	-	224
Performance shares	-	35
Escrowed shares(1)	-	53
Net effect of stock options(2)	-	6
Weighted average number of common shares outstanding — dilutive	17,873	18,115
Net (loss) per share — basic	\$ (0.30)	\$ (0.28)
Net (loss) per share — diluted	\$ (0.30)	\$ (0.27)

(1) Upon the closing of the Company's IPO, of the 2,750,000 shares exchanged for the equity interests of NYMC, 100,000 shares were held in escrow through December 31, 2004 and were available to satisfy any indemnification claims the Company may have had against the contributors of NYMC for losses incurred as a result of defaults on any residential mortgage loans originated by NYMC and closed prior to the completion of the IPO. As of December 31, 2004, the amount of escrowed shares was reduced by 47,680 shares, representing \$492,536 for estimated losses on loans closed prior to the Company's IPO. Furthermore, the contributors of NYMC entered into a new escrow agreement, which extended the escrow period to December 31, 2006 for the remaining 52,320 shares.

(2) The Company has granted 591,500 of the 706,000 stock options available for issuance under the Company's 2004 stock incentive plan.

(3) For the year ended December 31, 2005 basic and diluted loss per common share are the same because the effect of NYMT's restricted shares, performance shares, escrowed shares and stock options was antidilutive.

During 2005, taxable dividends for New York Mortgage Trust's common stock were \$0.95 per share. For tax reporting purposes, the 2005 taxable dividend will be classified as follows: \$0.81532 as ordinary income and \$0.13468 as a return of capital.

19. Stock Incentive Plan

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

2005 Stock Incentive Plan

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

Options

The 2004 Plan provides for the exercise price of options to be determined by the Compensation Committee of the Board of Directors ("Compensation Committee") but not to be less than the fair market value on the date the option is granted. Options expire ten years after the grant date. As of December 31, 2005, 591,500 options have been granted pursuant to the 2004 Plan with a vesting period of two years.

The Company accounts for the fair value of its grants in accordance with SFAS No. 123. The compensation cost charged against income during the years ended December 31, 2005 and 2004 was approximately \$44,000 and \$106,000, respectively.

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A summary of the status of the Company's options as of December 31, 2005 and changes during the year then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year, January 1, 2005	556,500	\$ 9.57
Granted	35,000	\$ 9.83
Canceled	25,000	9.83
Exercised	—	—
Outstanding at end of year, December 31, 2005	566,500	\$ 9.56
Options exercisable at year-end	289,826	\$ 9.32
Weighted-average fair value of options granted during the year		\$ 9.83

A summary of the status of the Company's options as of December 31, 2004 and changes during the year then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year, January 1, 2004	—	—
Granted	556,500	\$ 9.57
Canceled	—	—
Exercised	—	—
Outstanding at end of year, December 31, 2004	556,500	\$ 9.57
Options exercisable at year-end	303,162	\$ 9.35
Weighted-average fair value of options granted during the year		\$ 9.57

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

Range of Exercise Prices	Options Outstanding			Options Exercisable		Fair Value of Options Granted
	Number Outstanding	Weighted- Average Remaining Contractual Life (Years)	Exercise Price	Number Exercisable	Exercise Price	
\$9.00	176,500	8.5	\$ 9.00	176,500	\$ 9.00	\$ 0.39
\$9.83	390,000	8.9	9.83	113,326	9.83	0.29
Total	566,500	8.8	\$ 9.57	289,826	\$ 9.35	\$ 0.33

The following table summarizes information about stock options at December 31, 2004:

Options Outstanding
Weighted-

Range of Exercise Prices	Number Outstanding	Average Remaining Contractual Life (Years)	Exercise Price	Options Exercisable Number	Exercise Price	Fair Value of Options Granted
\$9.00	176,500	9.5	\$ 9.00	176,500	\$ 9.00	\$ 0.39
\$9.83	380,000	9.9	9.83	126,662	9.83	0.29
Total	556,500	9.8	\$ 9.57	303,162	\$ 9.35	\$ 0.32

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

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

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Restricted Stock

As of December 31, 2005, the Company has awarded 555,178 shares of restricted stock under the 2005 Plan, of which 334,120 shares have fully vested. As of December 31, 2005 the remaining shares of restricted stock awarded under the 2004 Plan are subject to vesting periods between 5 and 36 months. During the year ended December 31, 2005, the Company recognized non-cash compensation expense of \$1.6 million relating to the vested portion of restricted stock grants. Dividends are paid on all restricted stock issued, whether those shares are vested or not. In general, unvested restricted stock is forfeited upon the recipient's termination of employment.

Performance Based Stock Awards

In November 2004, the Company acquired 15 full-service and 26 satellite retail mortgage banking offices located in the Northeast and Mid-Atlantic states from General Residential Lending, Inc. ("GRL"). Pursuant to that transaction, the Company has committed to award 236,909 shares of the Company's stock to certain employees of those branches upon attainment of predetermined production levels. As of December 31, 2005, the awards range in vesting periods from 2 to 18 months with a share price set at the December 2, 2004 grant date market value of \$9.83 per share. During the year ended December 31, 2005, the Company recognized non-cash compensation expense of \$1.5 million relating to performance based stock awards. Unvested issued performance share awards have no voting rights and do not earn dividends.

20. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table is a comparative breakdown of our unaudited quarterly results for the immediately preceding eight quarters. The quarter ended June 30, 2004 has been restated, as explained below, and includes the appropriate adjustments discussed below (dollar amounts in thousands, except per share data):

	Mar. 31, 2005	Three Months Ended			Dec. 31, 2005
		Jun. 30, 2005	Sep. 30, 2005		
REVENUES:					
Interest income	\$ 17,117	\$ 19,669	\$ 19,698	\$ 20,992	
Interest expense	11,690	14,531	16,159	17,724	
Net interest income	5,427	5,138	3,539	3,268	
Other income (expense):					
Gain on sales of mortgage loans	4,321	8,328	8,985	5,149	
Brokered loan fees	1,999	2,534	2,647	2,811	
Gain (loss) on sale of marketable securities and related hedges	377	544	1,286	(7,440)	
Miscellaneous income (loss)	115	(10)	91	36	
Total other income (expense)	6,812	11,396	13,009	556	
EXPENSES:					
Salaries, commissions and related expenses	7,143	9,430	7,302	7,104	
Brokered loan expenses	1,520	2,686	1,483	1,854	
General and administrative expenses	6,304	6,062	5,903	6,243	
Total expenses	14,967	18,178	14,688	15,201	
Income (loss) before provision for income taxes	(2,728)	(1,644)	1,860	(11,377)	
Income tax benefit	2,690	2,190	1,000	2,669	

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Net income (loss)	\$	(38)	\$	546	\$	2,860	\$	(8,708)
Per share basic income (loss)	\$	0.00	\$	0.03	\$	0.16	\$	(0.49)
Per share diluted income (loss)	\$	0.00	\$	0.03	\$	0.16	\$	(0.49)

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	Three Months Ended			
	Mar. 31, 2004	Jun. 30, 2004	Sep. 30, 2004	Dec. 31, 2004
REVENUES:				
Interest income	\$ 1,261	\$ 1,886	\$ 10,290	\$ 13,862
Interest expense	609	1,124	5,465	8,815
Net interest income	652	762	4,825	5,047
Other income				
Gain on sales of mortgage loans	3,506	6,945	4,482	5,902
Brokered loan fees	2,183	778	1,438	2,496
Gain (loss) on sale of marketable securities	—	607	126	41
Miscellaneous income	16	30	50	131
Total other income	5,705	8,360	6,096	8,570
EXPENSES:				
Salaries, commissions and related expenses	2,719	4,172	4,504	5,723
Brokered loan expenses	1,284	835	1,017	2,140
General and administrative expenses	2,236	3,724	3,180	4,795
Total expenses	6,239	8,731	8,701	12,658
Income before provision for income taxes	118	391	2,220	959
Income tax (expense) benefit	—	(10)	232	1,037
Net income	\$ 118	\$ 381	\$ 2,452	\$ 1,996
Per share basic income	—	\$ 0.02	\$ 0.14	\$ 0.12
Per share diluted income	—	\$ 0.02	\$ 0.14	\$ 0.12

On March 16, 2005, the Company's management determined that the accounting for the disposition of marketable securities and certain cash flow hedges owned by NYMC was incorrect and should be restated to reflect the gain of \$865,000 in earnings instead of as a change in other comprehensive income. As a result, the net income reported for the three and six months ended June 30, 2004 and the nine months ended September 30, 2004 as filed in the Company's Quarterly Reports on Form 10-Q for such periods, respectively, was understated by \$865,000.

The marketable securities were disposed of in a transaction during the second quarter of 2004 prior to completion of the Company's IPO so as to avoid owning a legacy portfolio of securities which (i) did not meet the Company's new investment guidelines, (ii) are equity securities, (iii) cannot be appropriately hedged or (iv) do not generate qualifying REIT income. As a result, the impact on the sale of these assets did not impact the Company or its earnings generated during periods after completion of the IPO. However, because the Company's acquisition of NYMC is accounted for as a reverse merger for accounting and financial reporting purposes, the historical financial presentation of net income is affected.

For financial presentation purposes, the restatement increases net income by approximately \$783,000 for the marketable securities and \$82,000 for the cash flow hedges with a corresponding reduction in accumulated other comprehensive income for the periods indicated. There was no impact on total assets, liabilities or equity on the Company's balance sheet, or to net comprehensive income for the periods presented.

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EXHIBIT INDEX

Exhibits. The exhibits required by Item 601 of Regulation S-K are listed below. Management contracts or compensatory plans are filed as Exhibits 10.55, 10.92, 10.93, 10.94, 10.95, 10.96, 10.97, 10.98, 10.102 and 10.105.

Exhibit	Description
3.1	Articles of Amendment and Restatement of New York Mortgage Trust, Inc. (Incorporated by reference to Exhibit 3.1 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).
3.2(a)	Bylaws of New York Mortgage Trust, Inc. (Incorporated by reference to Exhibit 3.2 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).
<u>3.2(b)</u>	Amendment No. 1 to Bylaws of New York Mortgage Trust, Inc.*
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)	Amended and Restated Trust Agreement among The New York Mortgage Company, LLC, JPMorgan Chase Bank, National Association, Chase Bank USA, National Association and the Administrative Trustees named therein, dated September 1, 2005. (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on September 6, 2005).
10.1	Promissory Note, issued by The New York Mortgage Company, LLC on August 31, 2003, as amended and restated, on December 23, 2003, in the principal amount of \$2,574,352.00, payable to Joseph V. Fierro. (Incorporated by reference to Exhibit 10.1 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).
10.2	Promissory Note, issued by The New York Mortgage Company, LLC on August 31, 2003, as amended and restated, on December 23, 2003, in the principal amount of \$12,132,550.00 payable to Steven B. Schnell. (Incorporated by reference to Exhibit 10.2 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).
10.3	Master Repurchase Agreement between Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, Steven B. Schnell and Joseph V. Fierro, dated October 2, 2002. (Incorporated by reference to Exhibit 10.3 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).

10.4

Amendment No. 1 to Master Repurchase Agreement between Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, Steven B. Schnall and Joseph V. Fierro, dated December 4, 2002. (Incorporated by reference to Exhibit 10.4 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).

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Exhibit	Description
10.5	Amendment No. 2 to Master Repurchase Agreement between Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, Steven B. Schnall and Joseph V. Fierro, dated February 20, 2003. (Incorporated by reference to Exhibit 10.5 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).
10.6	Amendment No. 3 to Master Repurchase Agreement between Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, Steven B. Schnall and Joseph V. Fierro, dated April 22, 2003. (Incorporated by reference to Exhibit 10.6 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).
10.7	Amendment No. 4 to Master Repurchase Agreement between Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, Steven B. Schnall and Joseph V. Fierro, dated July 1, 2003. (Incorporated by reference to Exhibit 10.7 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).
10.8	Amendment No. 5 to Master Repurchase Agreement between Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, Steven B. Schnall and Joseph V. Fierro, dated July 7, 2003. (Incorporated by reference to Exhibit 10.8 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).
10.9	Amendment No. 6 to Master Repurchase Agreement between Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, Steven B. Schnall and Joseph V. Fierro, dated July 31, 2003. (Incorporated by reference to Exhibit 10.9 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).
10.10	Amendment No. 7 to Master Repurchase Agreement between Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, Steven B. Schnall and Joseph V. Fierro, dated August 4, 2003. (Incorporated by reference to Exhibit 10.10 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).
10.11	Amendment No. 8 to Master Repurchase Agreement between Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, Steven B. Schnall and Joseph V. Fierro, dated August 9, 2003. (Incorporated by reference to Exhibit 10.11 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).
10.12	Amendment No. 9 to Master Repurchase Agreement between Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, Steven B. Schnall and Joseph V. Fierro, dated August 28, 2003. (Incorporated by reference to Exhibit 10.12 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).

- 10.13 Amendment No. 10 to Master Repurchase Agreement between Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, Steven B. Schnall and Joseph V. Fierro, dated September 17, 2003. (Incorporated by reference to Exhibit 10.13 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).
- 10.14 Amendment No. 11 to Master Repurchase Agreement between Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, Steven B. Schnall and Joseph V. Fierro, dated October 1, 2003. (Incorporated by reference to Exhibit 10.14 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).
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Exhibit	Description
10.15	Amendment No. 12 to Master Repurchase Agreement between Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, Steven B. Schnall and Joseph V. Fierro, dated October 31, 2003. (Incorporated by reference to Exhibit 10.15 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).
10.16	Amendment No. 13 to Master Repurchase Agreement between Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company, LLC, Steven B. Schnall and Joseph V. Fierro, dated December 19, 2003. (Incorporated by reference to Exhibit 10.16 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).
10.17	Credit Note between HSBC Bank USA and The New York Mortgage Company LLC, dated as of March 30, 2001. (Incorporated by reference to Exhibit 10.17 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).
10.18	Credit and Security Agreement between HSBC Bank USA and The New York Mortgage Company LLC, dated as of March 30, 2001. (Incorporated by reference to Exhibit 10.18 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).
10.19	First Amended Credit Note, dated as of May 24, 2001, between HSBC Bank USA and The New York Mortgage Company LLC, dated as of March 30, 2001. (Incorporated by reference to Exhibit 10.19 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).
10.20	First Amended Credit and Security Agreement, dated as of May 24, 2001, between HSBC Bank USA and The New York Mortgage Company LLC, dated as of March 30, 2001. (Incorporated by reference to Exhibit 10.20 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).
10.21	Second Amended Credit Note, dated as of June 18, 2001, between HSBC Bank USA and The New York Mortgage Company LLC, dated as of March 30, 2001. (Incorporated by reference to Exhibit 10.21 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).
10.22	Second Amended Credit and Security Agreement, dated June 18, 2001, between HSBC Bank USA and The New York Mortgage Company LLC, dated as of March 30, 2001. (Incorporated by reference to Exhibit 10.22 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).
10.23	

Third Amended Credit Note, dated as of November 13, 2001, between HSBC Bank USA and The New York Mortgage Company LLC, dated as of March 30, 2001. (Incorporated by reference to Exhibit 10.23 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).

10.24 Third Amended Credit and Security Agreement, dated as of November 13, 2001, between HSBC Bank USA and The New York Mortgage Company LLC, dated as of March 30, 2001. (Incorporated by reference to Exhibit 10.24 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).

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Exhibit	Description
10.25	Fourth Amended Credit Note, dated as of January 16, 2002, between HSBC Bank USA and The New York Mortgage Company LLC, dated as of March 30, 2001. (Incorporated by reference to Exhibit 10.25 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).
10.26	Fourth Amended Credit and Security Agreement, dated as of January 16, 2002, between HSBC Bank USA and The New York Mortgage Company LLC, dated as of March 30, 2001. (Incorporated by reference to Exhibit 10.26 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).
10.27	Fifth Amended Credit Note, dated as of April 29, 2002, between HSBC Bank USA and The New York Mortgage Company LLC, dated as of March 30, 2001. (Incorporated by reference to Exhibit 10.27 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).
10.28	Fifth Amended Credit and Security Agreement, dated as of April 29, 2002, between HSBC Bank USA and The New York Mortgage Company LLC, dated as of March 30, 2001. (Incorporated by reference to Exhibit 10.28 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).
10.29	Extension Letter, dated August 26, 2002, to Credit and Security Agreement between HSBC Bank USA and The New York Mortgage Company LLC, dated as of March 30, 2001, as amended. (Incorporated by reference to Exhibit 10.29 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).
10.30	Extension Letter, dated September 11, 2002, to Credit and Security Agreement between HSBC Bank USA and The New York Mortgage Company LLC, dated as of March 30, 2001, as amended. (Incorporated by reference to Exhibit 10.30 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).
10.31	Extension Letter, dated October 28, 2002, to Credit and Security Agreement between HSBC Bank USA and The New York Mortgage Company LLC, dated as of March 30, 2001, as amended. (Incorporated by reference to Exhibit 10.31 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).
10.32	Extension Letter, dated November 27, 2002, to Credit and Security Agreement between HSBC Bank USA and The New York Mortgage Company LLC, dated as of March 30, 2001, as amended. (Incorporated by reference to Exhibit 10.32 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).

- 10.33 Extension Letter, dated April 15, 2003, to Credit and Security Agreement between HSBC Bank USA and The New York Mortgage Company LLC, dated as of March 30, 2001, as amended. (Incorporated by reference to Exhibit 10.33 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).
- 10.34 Extension Letter, dated June 24, 2003, to Credit and Security Agreement between HSBC Bank USA and The New York Mortgage Company LLC, dated as of March 30, 2001, as amended. (Incorporated by reference to Exhibit 10.34 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).
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Exhibit	Description
10.35	Guaranty between HSBC Bank USA, The New York Mortgage Company LLC and Steven Schnall, dated as of March 30, 2001. (Incorporated by reference to Exhibit 10.35 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).
10.36	Guaranty between HSBC Bank USA, The New York Mortgage Company LLC and Joseph V. Fierro, dated as of March 30, 2001. (Incorporated by reference to Exhibit 10.36 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).
10.37	First Amended Guaranty between HSBC Bank USA, The New York Mortgage Company LLC and Steven Schnall, dated as of May 24, 2001. (Incorporated by reference to Exhibit 10.37 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).
10.38	First Amended Guaranty between HSBC Bank USA, The New York Mortgage Company LLC and Joseph V. Fierro, dated as of May 24, 2001. (Incorporated by reference to Exhibit 10.38 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).
10.39	Warehousing Credit Agreement, among The New York Mortgage Company LLC, Steven B. Schnall, Joseph V. Fierro and National City Bank of Kentucky, dated January 25, 2002. (Incorporated by reference to Exhibit 10.39 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).
10.40	First Amendment, dated April 2002, to Warehousing Credit Agreement, among The New York Mortgage Company LLC, Steven B. Schnall, Joseph V. Fierro and National City Bank of Kentucky, dated January 25, 2002. (Incorporated by reference to Exhibit 10.40 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).
10.41	Second Amendment, dated June 3, 2002, to Warehousing Credit Agreement, among The New York Mortgage Company LLC, Steven B. Schnall, Joseph V. Fierro and National City Bank of Kentucky, dated January 25, 2002. (Incorporated by reference to Exhibit 10.41 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).
10.42	Third Amendment, dated November , 2002, to Warehousing Credit Agreement, among The New York Mortgage Company LLC, Steven B. Schnall, Joseph V. Fierro and National City Bank of Kentucky, dated January 25, 2002. (Incorporated by reference to Exhibit 10.42 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).
10.43	Fourth Amendment, dated June 15, 2003, to Warehousing Credit Agreement, among The New York Mortgage Company LLC, Steven B.

Schnall, Joseph V. Fierro and National City Bank of Kentucky, dated January 25, 2002. (Incorporated by reference to Exhibit 10.43 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).

- 10.44 Warehouse Promissory Note, between The New York Mortgage Company, LLC and National City Bank of Kentucky, dated January 25, 2002. (Incorporated by reference to Exhibit 10.44 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).
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Exhibit	Description
10.45	Amended and Restated Warehouse Promissory Note, between The New York Mortgage Company, LLC and National City Bank of Kentucky, dated June 3, 2002. (Incorporated by reference to Exhibit 10.45 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).
10.46	Warehousing Credit Agreement, between New York Mortgage Company, LLC, Steven B. Schnall, Joseph V. Fierro and National City Bank of Kentucky, dated as of January 25, 2002. (Incorporated by reference to Exhibit 10.46 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).
10.47	Pledge and Security Agreement, between The New York Mortgage Company, LLC and National City Bank of Kentucky, dated as of January 25, 2002. (Incorporated by reference to Exhibit 10.47 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).
10.48	Unconditional and Continuing Guaranty of Payment by Steven B. Schnall to National City Bank of Kentucky, dated January 25, 2002. (Incorporated by reference to Exhibit 10.48 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).
10.49	Unconditional and Continuing Guaranty of Payment by Joseph V. Fierro to National City Bank of Kentucky, dated January 25, 2002. (Incorporated by reference to Exhibit 10.49 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).
10.50	Amended and Restated Unconditional and Continuing Guaranty of Payment by Steven B. Schnall to National City Bank of Kentucky, dated June 15, 2003. (Incorporated by reference to Exhibit 10.50 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).
10.51	Amended and Restated Unconditional and Continuing Guaranty of Payment by Joseph V. Fierro to National City Bank of Kentucky, dated June 15, 2003. (Incorporated by reference to Exhibit 10.51 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).
10.52	Inter-Creditor Agreement, between National City Bank of Kentucky and HSBC Bank USA, dated January 25, 2002. (Incorporated by reference to Exhibit 10.52 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).
10.53	Whole Loan Purchase and Sale Agreement/Mortgage Loan Purchase and Sale Agreement between The New York Mortgage Company, LLC and

Greenwich Capital Financial Products, Inc., dated as of September 1, 2003. (Incorporated by reference to Exhibit 10.53 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).

- 10.54 Whole Loan Custodial Agreement/Custodial Agreement between Greenwich Capital Financial Products, Inc., The New York Mortgage Company, LLC and LaSalle Bank National Association, dated as of September 1, 2003. (Incorporated by reference to Exhibit 10.54 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).
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Exhibit	Description
10.55	Form of New York Mortgage Trust, Inc. 2004 Stock Incentive Plan. (Incorporated by reference to Exhibit 10.55 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).
10.56	Contribution Agreement by and among Steven B. Schnall and Joseph V. Fierro and New York Mortgage Trust, Inc., dated December 22, 2003. (Incorporated by reference to Exhibit 10.56 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).
10.57	Agreement by and among New York Mortgage Trust, Inc., The New York Mortgage Company, LLC, Steven B. Schnall and Joseph V. Fierro, dated December 23, 2003. (Incorporated by reference to Exhibit 10.57 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).
10.58	Sixth Amended Credit and Security Agreement, dated as of August 11, 2003, between HSBC Bank USA and The New York Mortgage Company LLC, dated as of March 30, 2001. (Incorporated by reference to Exhibit 10.58 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).
10.59	Temporary Overadvance Note, dated as of August 11, 2003, between HSBC Bank USA and the New York Mortgage Company LLC. (Incorporated by reference to Exhibit 10.59 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).
10.60	Second Amended Guaranty between HSBC Bank USA, The New York Mortgage Company LLC and Steven Schnall, dated as of June 18, 2001. (Incorporated by reference to Exhibit 10.60 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).
10.61	Second Amended Guaranty between HSBC Bank USA, The New York Mortgage Company LLC and Joseph V. Fierro, dated as of June 18, 2001. (Incorporated by reference to Exhibit 10.61 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).
10.62	Third Amended Guaranty between HSBC Bank USA, The New York Mortgage Company LLC and Steven Schnall, dated as of November 13, 2001. (Incorporated by reference to Exhibit 10.62 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).
10.63	Third Amended Guaranty between HSBC Bank USA, The New York Mortgage Company LLC and Joseph V. Fierro, dated as of November 13, 2001. (Incorporated by reference to Exhibit 10.63 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).
- 10.64 Fourth Amended Guaranty between HSBC Bank USA, The New York Mortgage Company LLC and Steven Schnall, dated as of January 16, 2002. (Incorporated by reference to Exhibit 10.64 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).
- 10.65 Fourth Amended Guaranty between HSBC Bank USA, The New York Mortgage Company LLC and Joseph V. Fierro, dated as of January 16, 2002. (Incorporated by reference to Exhibit 10.65 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).
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Exhibit	Description
10.66	Fifth Amended Guaranty between HSBC Bank USA, The New York Mortgage Company LLC and Steven Schnall, dated as of April 29, 2002. (Incorporated by reference to Exhibit 10.66 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).
10.67	Fifth Amended Guaranty between HSBC Bank USA, The New York Mortgage Company LLC and Joseph V. Fierro, dated as of April 29, 2002. (Incorporated by reference to Exhibit 10.67 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).
10.68	Sixth Amended Guaranty between HSBC Bank USA, The New York Mortgage Company LLC and Steven Schnall, dated as of August 11, 2003. (Incorporated by reference to Exhibit 10.68 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).
10.69	Sixth Amended Guaranty between HSBC Bank USA, The New York Mortgage Company LLC and Joseph V. Fierro, dated as of August 11, 2003. (Incorporated by reference to Exhibit 10.69 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).
10.70	Credit and Security Agreement by and among HSBC Bank USA, National City Bank of Kentucky and The New York Mortgage Company LLC, dated as of December 15, 2003. (Incorporated by reference to Exhibit 10.70 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).
10.71	Guaranty between HSBC Bank USA, National City Bank of Kentucky, The New York Mortgage Company LLC and Steven B. Schnall, dated as of December 15, 2003. (Incorporated by reference to Exhibit 10.71 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).
10.72	Guaranty between HSBC Bank USA, National City Bank of Kentucky, The New York Mortgage Company LLC and Joseph V. Fierro, dated as of December 15, 2003. (Incorporated by reference to Exhibit 10.72 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).
10.73	Credit Note by and between HSBC Bank USA and The New York Mortgage Company LLC, dated as of December 15, 2003. (Incorporated by reference to Exhibit 10.73 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).
10.74	Credit Note by and between National City Bank of Kentucky and The New York Mortgage Company LLC, dated as of December 15, 2003. (Incorporated by reference to Exhibit 10.74 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).
- 10.75 Swingline Note by and between HSBC Bank USA and The New York Mortgage Company LLC, dated as of December 15, 2003. (Incorporated by reference to Exhibit 10.75 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).
- 10.76 Custodial Agreement by and among Greenwich Capital Financial Products, Inc., The New York Mortgage Corporation LLC and Deutsche Bank Trust Company Americas, dated as of August 1, 2003. (Incorporated by reference to Exhibit 10.76 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).
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Exhibit	Description
10.77	Master Mortgage Loan Purchase and Interim Servicing Agreement by and between The New York Mortgage Company L.L.C. and Greenwich Capital Financial Products, Inc., dated as of August 1, 2003. (Incorporated by reference to Exhibit 10.77 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).
10.78	Subordination and Pledge Agreement by and between HSBC Bank USA and Steven B. Schnall, dated as of December 15, 2003. (Incorporated by reference to Exhibit 10.78 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).
10.79	Subordination and Pledge Agreement by and between HSBC Bank USA and Joseph V. Fierro, dated as of December 15, 2003. (Incorporated by reference to Exhibit 10.79 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).
10.80	Second Amended and Restated Promissory Note, issued by The New York Mortgage Company, LLC on August 31, 2003, as further amended and restated, on December 23, 2003 and February 26, 2004, in the principal amount of \$11,432,550 payable to Steven B. Schnall. (Incorporated by reference to Exhibit 10.80 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).
10.81	Second Amended and Restated Promissory Note, issued by The New York Mortgage Company, LLC on August 31, 2003, as further amended and restated, on December 23, 2003 and February 26, 2004, in the principal amount of \$2,274,352, payable to Joseph V. Fierro. (Incorporated by reference to Exhibit 10.81 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).
10.82	Promissory Note, issued by New York Mortgage Funding, LLC on January 9, 2004 in the principal amount of \$100,000,000.00, payable to Greenwich Capital Financial Products, Inc. (Incorporated by reference to Exhibit 10.82 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).
10.83	Guaranty between the New York Mortgage Company, LLC and Greenwich Capital Financial Products, Inc., dated as of January 9, 2004. (Incorporated by reference to Exhibit 10.83 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).
10.84	Master Loan and Security Agreement between New York Mortgage Funding, LLC and Greenwich Capital Financial Products, Inc., dated as of January 9, 2004. (Incorporated by reference to Exhibit 10.84 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).

- 10.85 Custodial Agreement between New York Mortgage Funding, LLC, Deutsche Bank Trust Company Americas and Greenwich Capital Financial Products, Inc., dated as of January 9, 2004. (Incorporated by reference to Exhibit 10.85 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).
- 10.86 Amendment Number One, dated November 24, 2003, to the Master Mortgage Loan Purchase and Interim Servicing Agreement, dated as of August 1, 2003. (Incorporated by reference to Exhibit 10.86 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).
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Exhibit	Description
10.87	Amended and Restated Contribution Agreement, by and among Steven B. Schnall, Steven B. Schnall Annuity Trust U/A 3/25/04, Joseph V. Fierro, 2004 Joseph V. Fierro Grantor Retained Annuity Trust and New York Mortgage Trust, Inc., dated March 25, 2004. (Incorporated by reference to Exhibit 10.87 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).
10.88	Second Amended and Restated Contribution Agreement, by and among Steven B. Schnall, Steven B. Schnall Annuity Trust U/A 3/25/04, Joseph V. Fierro, 2004 Joseph V. Fierro Grantor Retained Annuity Trust and New York Mortgage Trust, Inc., dated April 29, 2004. (Incorporated by reference to Exhibit 10.88 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).
10.89	Amended and Restated Agreement by and among New York Mortgage Trust, Inc., The New York Mortgage Company, LLC, Steven B. Schnall and Joseph V. Fierro, dated April 29, 2004. (Incorporated by reference to Exhibit 10.89 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).
10.90	Third Amended and Restated Promissory Note, issued by The New York Mortgage Company, LLC on August 31, 2003, as further amended and restated on December 23, 2003, February 26, 2004 and May 26, 2004, in the principal amount of \$11,432,550 payable to Steven B. Schnall. (Incorporated by reference to Exhibit 10.90 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).
10.91	Third Amended and Restated Promissory Note, issued by the New York Mortgage Company, LLC on August 31, 2003, as further amended and restated, on December 23, 2003, February 26, 2004 and May 26, 2004, in the principal amount of \$2,274,352 payable to Joseph V. Fierro. (Incorporated by reference to Exhibit 10.91 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).
10.92	Form of Employment Agreement between New York Mortgage Trust, Inc. and Steven B. Schnall. (Incorporated by reference to Exhibit 10.92 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).
10.93	Form of Employment Agreement between New York Mortgage Trust, Inc. and David A. Akre. (Incorporated by reference to Exhibit 10.93 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).
10.94	Form of Employment Agreement between New York Mortgage Trust, Inc. and Raymond A. Redlingshafer, Jr. (Incorporated by reference to Exhibit 10.94 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).

- 10.95 Form of Employment Agreement between New York Mortgage Trust, Inc. and Michael I. Wirth. (Incorporated by reference to Exhibit 10.95 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).
- 10.96 Form of Employment Agreement between New York Mortgage Trust, Inc. and Joseph V. Fierro. (Incorporated by reference to Exhibit 10.96 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).
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Exhibit	Description
10.97	Form of Employment Agreement between New York Mortgage Trust, Inc. and Steven R. Mumma. (Incorporated by reference to Exhibit 10.97 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).
10.98	Amendment No. 1 to Employment Agreement between New York Mortgage Trust, Inc. and Steven R. Mumma, dated December 2, 2004. (Incorporated by reference to Exhibit 10.98 to the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 31, 2005).
10.99	Amended and Restated Credit and Security Agreement between HSBC Bank USA, National Association, National City Bank of Kentucky, JP Morgan Chase Bank, N.A. and The New York Mortgage Company LLC, dated as of February 1, 2005. (Incorporated by reference to Exhibit 10.99 to the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 31, 2005).
10.100	Amended and Restated Master Loan and Security Agreement between New York Mortgage Funding, LLC, The New York Mortgage Company, LLC and New York Mortgage Trust, Inc. and Greenwich Capital Financial Products, Inc., dated as of December 6, 2004. (Incorporated by reference to Exhibit 10.100 to the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 31, 2005).
10.101	Amended and Restated Master Repurchase Agreement Between New York Mortgage Trust, Inc., The New York Mortgage Company, LLC, New York Mortgage Funding, LLC and Credit Suisse First Boston Mortgage Capital LLC, dated as of March 30, 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 April 5, 2005).
10.102	Separation and Release Agreement, dated June 30, 2005, by and between the Company and Raymond A. Redlingshafer, Jr. (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 July 5, 2005).
10.103	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).
10.104	Purchase Agreement among The New York Mortgage Company, LLC, New York Mortgage Trust, Inc., NYM Preferred Trust II and Taberna Preferred Funding II, Ltd., dated September 1, 2005. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on September 6, 2005).
10.105	New York Mortgage Trust, Inc. 2005 Stock Incentive Plan. (Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-3/A (File No. 333-127400) as filed with the Securities and Exchange Commission on September 9, 2005).
<u>10.106</u>	Master Repurchase Agreement among DB Structured Products, Inc., Aspen Funding Corp. and Newport Funding Corp, New York Mortgage Trust, Inc.

and NYMC Loan Corporation, dated as of December 13, 2005.*

10.107 Custodial Agreement among DB Structured Products, Inc., Aspen Funding Corp., and Newport Funding Corp., NYMC Loan Corporation, New York Mortgage Trust, Inc. and LaSalle Bank National Association, dated as of December 13, 2005.*

10.108 Master Repurchase Agreement among New York Mortgage Funding, LLC, The New York Mortgage Company, LLC, New York Mortgage Trust Inc. and Greenwich Capital Financial Products, Inc. dated as of January 5, 2006.*

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Exhibit	Description
<u>10.109</u>	Amended and Restated Custodial Agreement by and among The New York Mortgage Company, LLC, New York Mortgage Funding, LLC, New York Mortgage Trust, Inc., LaSalle Bank National Association and Greenwich Capital Financial Products, Inc. dated as of January 5, 2006.*
<u>12.1</u>	Computation of Ratios
<u>21.1</u>	List of Subsidiaries of the Registrant.
<u>23.1</u>	Consent of Independent Registered Public Accounting Firm (Deloitte & Touche LLP).
<u>31.1</u>	Section 302 Certification of Co-Chief Executive Officer.
<u>31.2</u>	Section 302 Certification of Co-Chief Executive Officer.
<u>31.3</u>	Section 302 Certification of Chief Financial Officer.
<u>32.1</u>	Section 906 Certification of Co-Chief Executive Officers.
<u>32.2</u>	Section 906 Certification of Chief Financial Officer.

* Filed herewith.
