Section 1: 10-Q (10-Q)

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

FORM 10-Q

(Mark One)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2019

or

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

For the transition period from to

Commission File Number: 1-13991

MFA FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Maryland	**13-3974868**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
350 Park Avenue, 20th Floor, New York, New York	**10022**
(Address of principal executive offices)	*(Zip Code)*

(212) 207-6400
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
Not Applicable
(Former name, former address and former fiscal year, if changed since last period)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	MFA	New York Stock Exchange
7.50% Series B Cumulative Redeemable Preferred Stock, par value $0.01 per share	MFA/PB	New York Stock Exchange

8.00% Senior Notes due 2042	MFO	New York Stock Exchange

450,555,570 shares of the registrant’s common stock, $0.01 par value, were outstanding as of May 2, 2019.

MFA FINANCIAL, INC.

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MFA FINANCIAL, INC.
CONSOLIDATED BALANCE SHEETS

(In Thousands Except Per Share Amounts)	March 31, 2019	December 31, 2018
	(Unaudited)	
Assets:		
Residential mortgage securities:		
Agency MBS, at fair value ($2,524,612 and $2,575,331 pledged as collateral, respectively)	$ 2,546,597	$ 2,698,213
Non-Agency MBS, at fair value ($3,068,294 and $3,248,900 pledged as collateral, respectively)	3,099,272	3,318,299
Credit Risk Transfer ("CRT") securities, at fair value ($419,877 and $480,315 pledged as collateral, respectively)	423,702	492,821
Residential whole loans, at carrying value ($2,441,975 and $1,645,372 pledged as collateral, respectively) *(1)*	3,724,146	3,016,715
Residential whole loans, at fair value ($822,235 and $738,638 pledged as collateral, respectively) *(1)*	1,512,337	1,665,978
Mortgage servicing rights ("MSR") related assets ($825,363 and $611,807 pledged as collateral, respectively)	825,363	611,807
Cash and cash equivalents	76,579	51,965
Restricted cash	41,999	36,744
Other assets	551,618	527,785
Total Assets	$ 12,801,613	$ 12,420,327
Liabilities:		
Repurchase agreements	$ 8,509,713	$ 7,879,087
Other liabilities	887,369	1,125,139
Total Liabilities	$ 9,397,082	$ 9,004,226
Commitments and contingencies (See Note 10)		
Stockholders' Equity:		
Preferred stock, $.01 par value; 7.50% Series B cumulative redeemable; 8,050 shares authorized; 8,000 shares issued and outstanding ($200,000 aggregate liquidation preference)	$ 80	$ 80
Common stock, $.01 par value; 886,950 shares authorized; 450,483 and 449,787 shares issued and outstanding, respectively	4,505	4,498
Additional paid-in capital, in excess of par	3,622,636	3,623,275
Accumulated deficit	(637,286)	(632,040)
Accumulated other comprehensive income	414,596	420,288
Total Stockholders' Equity	$ 3,404,531	$ 3,416,101
Total Liabilities and Stockholders' Equity	$ 12,801,613	$ 12,420,327

(1) Includes approximately $202.7 million and $209.4 million of Residential whole loans, at carrying value and $647.0 million and $694.7 million of Residential whole loans, at fair value transferred to consolidated variable interest entities ("VIEs") at March 31, 2019 and December 31, 2018, respectively. Such assets can be used only to settle the obligations of each respective VIE.

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

MFA FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In Thousands, Except Per Share Amounts)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Interest Income:		
Agency MBS	$ 18,441	$ 15,293
Non-Agency MBS	54,001	56,102
CRT securities	6,200	9,496
Residential whole loans held at carrying value	49,620	14,329
MSR-related assets	10,620	7,623
Cash and cash equivalent investments	764	909
Other interest-earning assets	1,306	—
Interest Income	$ 140,952	$ 103,752
Interest Expense:		
Repurchase agreements	$ 70,809	$ 45,717
Other interest expense	8,217	4,837
Interest Expense	$ 79,026	$ 50,554
Net Interest Income	$ 61,926	$ 53,198
Other Income, net:		
Net gain on residential whole loans measured at fair value through earnings	$ 25,267	$ 38,498
Net realized gain on sales of residential mortgage securities	24,609	8,817
Net unrealized gain/(loss) on residential mortgage securities measured at fair value through earnings	8,672	(880)
Net loss on Swaps not designated as hedges for accounting purposes	(8,944)	—
Other, net	1,565	1,225
Other Income, net	$ 51,169	$ 47,660
Operating and Other Expense:		
Compensation and benefits	$ 8,554	$ 6,748
Other general and administrative expense	4,645	3,832
Loan servicing and other related operating expenses	11,039	6,883
Operating and Other Expense	$ 24,238	$ 17,463
Net Income	$ 88,857	$ 83,395
Less Preferred Stock Dividends	3,750	3,750
Net Income Available to Common Stock and Participating Securities	$ 85,107	$ 79,645
Earnings per Common Share - Basic and Diluted	$ 0.19	$ 0.20

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

MFA FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(UNAUDITED)

(In Thousands)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Net income	$ 88,857	$ 83,395
Other Comprehensive Income/(Loss):		
Unrealized gain/(loss) on Agency MBS, net	9,315	(10,052)
Unrealized gain/(loss) on Non-Agency MBS, CRT securities and MSR term notes, net	12,788	(27,488)
Reclassification adjustment for MBS sales included in net income	(17,009)	(8,623)
Derivative hedging instrument fair value changes, net	(10,445)	19,669
Amortization of de-designated hedging instruments, net	(341)	—
Other Comprehensive Income/(Loss)	(5,692)	(26,494)
Comprehensive income before preferred stock dividends	$ 83,165	$ 56,901
Dividends declared on preferred stock	(3,750)	(3,750)
Comprehensive Income Available to Common Stock and Participating Securities	$ 79,415	$ 53,151

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

MFA FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

	Three Months Ended March 31, 2019							
	Preferred Stock 7.50% Series B Cumulative Redeemable - Liquidation Preference $25.00 per Share		Common Stock					
(In Thousands, Except Per Share Amounts)	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2018	8,000	$ 80	449,787	$ 4,498	$3,623,275	$ (632,040)	$ 420,288	$ 3,416,101
Net income	—	—	—	—	—	88,857	—	88,857
Issuance of common stock, net of expenses	—	—	1,066	7	544	—	—	551
Repurchase of shares of common stock *(1)*	—	—	(370)	—	(2,610)	—	—	(2,610)
Equity based compensation expense	—	—	—	—	992	—	—	992
Accrued dividends attributable to stock-based awards	—	—	—	—	435	—	—	435
Dividends declared on common stock ($0.20 per share)	—	—	—	—	—	(90,097)	—	(90,097)
Dividends declared on preferred stock ($0.46875 per share)	—	—	—	—	—	(3,750)	—	(3,750)
Dividends attributable to dividend equivalents	—	—	—	—	—	(256)	—	(256)
Change in unrealized gains on MBS, net	—	—	—	—	—	—	5,094	5,094
Derivative hedging instrument fair value changes, net	—	—	—	—	—	—	(10,786)	(10,786)
Balance at March 31, 2019	8,000	$ 80	450,483	$ 4,505	$3,622,636	$ (637,286)	$ 414,596	$ 3,404,531

	Three Months Ended March 31, 2018							
	Preferred Stock 7.50% Series B Cumulative Redeemable - Liquidation Preference $25.00 per Share		Common Stock					
(In Thousands, Except Per Share Amounts)	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2017	8,000	$ 80	397,831	$ 3,978	$3,227,304	$ (578,950)	$ 609,224	$ 3,261,636
Cumulative effect adjustment on adoption of new accounting standard for revenue recognition	—	—	—	—		295	—	295
Net income	—	—	—	—	—	83,395	—	83,395
Issuance of common stock, net of expenses	—	—	849	6	1,224	—	—	1,230
Repurchase of shares of common stock *(1)*	—	—	(251)	—	(1,957)	—	—	(1,957)
Equity based compensation expense	—	—	—	—	549	—	—	549
Accrued dividends attributable to stock-based awards	—	—	—	—	430	—	—	430
Dividends declared on common stock ($0.20 per share)	—	—	—	—	—	(79,686)	—	(79,686)
Dividends declared on preferred stock ($0.46875 per share)	—	—	—	—	—	(3,750)	—	(3,750)
Dividends attributable to dividend equivalents	—	—	—	—	—	(217)	—	(217)
Change in unrealized losses on MBS, net	—	—	—	—	—	—	(46,163)	(46,163)
Derivative hedging instruments fair value changes, net	—	—	—	—	—	—	19,669	19,669
Balance at March 31, 2018	8,000	$ 80	398,429	$ 3,984	$3,227,550	$ (578,913)	$ 582,730	$ 3,235,431

(1) For the three months ended March 31, 2019 and 2018, includes approximately $2.6 million (370,244 shares) and $2.0 million (250,946 shares), respectively surrendered for tax purposes related to equity-based compensation awards.

MFA FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In Thousands)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cash Flows From Operating Activities:		
Net income	$ 88,857	$ 83,395
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sales of residential mortgage securities	(24,609)	(8,817)
Gain on sales of real estate owned	(1,398)	(1,993)
Gain on liquidation of residential whole loans	(4,684)	(5,279)
Accretion of purchase discounts on residential mortgage securities, residential whole loans and MSR-related assets	(15,915)	(19,793)
Amortization of purchase premiums on residential mortgage securities and residential whole loans	7,620	5,392
Depreciation and amortization on real estate, fixed assets and other assets	432	423
Equity-based compensation expense	998	553
Unrealized losses/(gains) on residential whole loans at fair value	1,060	(13,747)
Unrealized losses/(gains) on residential mortgage securities and interest rate swap agreements ("Swaps") and other	200	(2,020)
Increase in other assets	(8,770)	(19,990)
Decrease in other liabilities	(6,709)	(12,228)
Net cash provided by operating activities	$ 37,082	$ 5,896
Cash Flows From Investing Activities:		
Principal payments on residential mortgage securities and MSR-related assets	$ 391,641	$ 484,334
Proceeds from sales of residential mortgage securities	208,306	19,362
Purchases of residential mortgage securities and MSR-related assets	(327,221)	(194,328)
Purchases of residential whole loans, loan related investments and capitalized advances	(1,021,557)	(513,851)
Principal payments on residential whole loans	233,724	71,865
Proceeds from sales of real estate owned	23,963	19,307
Purchases of real estate owned and capital improvements	(5,923)	(2,678)
Additions to leasehold improvements, furniture and fixtures	(391)	(171)
Net cash used in investing activities	$ (497,458)	$ (116,160)
Cash Flows From Financing Activities:		
Principal payments on repurchase agreements	$ (18,879,173)	$ (16,609,092)
Proceeds from borrowings under repurchase agreements	19,509,794	16,553,139
Principal payments on securitized debt	(25,501)	(12,817)
Payments made for settlements on Swaps	(21,478)	(10,666)
Proceeds from settlements on Swaps	—	30,711
Proceeds from issuances of common stock	551	1,230
Dividends paid on preferred stock	(3,750)	(3,750)
Dividends paid on common stock and dividend equivalents	(90,198)	(79,769)
Net cash provided by/(used in) financing activities	$ 490,245	$ (131,014)
Net increase/(decrease) in cash, cash equivalents and restricted cash	$ 29,869	$ (241,278)
Cash, cash equivalents and restricted cash at beginning of period	$ 88,709	$ 463,743
Cash, cash equivalents and restricted cash at end of period	$ 118,578	$ 222,465
Supplemental Disclosure of Cash Flow Information		
Interest Paid	$ 81,435	$ 51,334
Non-cash Investing and Financing Activities:		
Net decrease in securities obtained as collateral/obligation to return securities obtained as collateral	$ —	$ (248,650)
Transfer from residential whole loans to real estate owned	$ 65,160	$ 54,822
Dividends and dividend equivalents declared and unpaid	$ 90,353	$ 79,905

Payable for unsettled residential whole loans purchases	$ —	$ 13,525

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

MFA FINANCIAL, INC.
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019

1. Organization

MFA Financial, Inc. (the "Company") was incorporated in Maryland on July 24, 1997 and began operations on April 10, 1998. The Company has elected to be treated as a real estate investment trust ("REIT") for U.S. federal income tax purposes. In order to maintain its qualification as a REIT, the Company must comply with a number of requirements under federal tax law, including that it must distribute at least 90% of its annual REIT taxable income to its stockholders. The Company has elected to treat certain of its subsidiaries as a taxable REIT subsidiary ("TRS"). In general, a TRS may hold assets and engage in activities that the Company cannot hold or engage in directly and generally may engage in any real estate or non-real estate related business. (See Note 2(o))

2. Summary of Significant Accounting Policies

(a) Basis of Presentation and Consolidation

The interim unaudited consolidated financial statements of the Company have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted according to these SEC rules and regulations. Management believes that the disclosures included in these interim unaudited consolidated financial statements are adequate to make the information presented not misleading. The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. In the opinion of management, all normal and recurring adjustments necessary to present fairly the financial condition of the Company at March 31, 2019 and results of operations for all periods presented have been made. The results of operations for the three months ended March 31, 2019 should not be construed as indicative of the results to be expected for the full year.

The accompanying consolidated financial statements of the Company have been prepared on the accrual basis of accounting in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although the Company's estimates contemplate current conditions and how it expects them to change in the future, it is reasonably possible that actual conditions could differ from those estimates, which could materially impact the Company's results of operations and its financial condition. Management has made significant estimates in several areas, including other-than-temporary impairment ("OTTI") on mortgage-backed securities ("MBS") (See Note 3), valuation of MBS, CRT securities and MSR-related assets (See Notes 3 and 14), income recognition and valuation of residential whole loans (See Notes 4 and 14), valuation of derivative instruments (See Notes 5(b) and 14) and income recognition on certain Non-Agency MBS (defined below) purchased at a discount. (See Note 3) In addition, estimates are used in the determination of taxable income used in the assessment of REIT compliance and contingent liabilities for related taxes, penalties and interest. (See Note 2(o)) Actual results could differ from those estimates.

The Company has one reportable segment as it manages its business and analyzes and reports its results of operations on the basis of one operating segment; investing, on a leveraged basis, in residential mortgage assets.

The consolidated financial statements of the Company include the accounts of all subsidiaries; all intercompany accounts and transactions have been eliminated. In addition, the Company consolidates entities established to facilitate transactions related to the acquisition and securitization of residential whole loans completed in prior years. Certain prior period amounts have been reclassified to conform to the current period presentation.

(b) Residential Mortgage Securities

The Company has investments in residential MBS that are issued or guaranteed as to principal and/or interest by a federally chartered corporation, such as the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac"), or an agency of the U.S. Government, such as the Government National Mortgage Association ("Ginnie Mae") (collectively, "Agency MBS"), and residential MBS that are not guaranteed by any agency of the U.S. Government or any federally chartered corporation ("Non-Agency MBS"). In addition, the Company has investments in CRT securities that are issued or sponsored by Fannie Mae and Freddie Mac. The coupon payments on CRT securities are paid by Fannie Mae and Freddie Mac and the principal payments received are dependent on the performance of loans in either a reference pool or an actual pool of loans. As the loans in the underlying pool are paid, the principal balance of the CRT securities is paid. As an investor in a CRT security, the Company may incur a principal loss if the performance of the actual or reference pool loans results in either an actual or calculated loss that exceeds the credit enhancement of the security owned by the Company.

Designation

MBS that the Company generally intends to hold until maturity, but that it may sell from time to time as part of the overall management of its business, are designated as "available-for-sale" ("AFS"). Such MBS are carried at their fair value with unrealized gains and losses excluded from earnings (except when an OTTI is recognized, as discussed below) and reported in Accumulated other comprehensive income/(loss) ("AOCI"), a component of Stockholders' Equity.

Upon the sale of an AFS security, any unrealized gain or loss is reclassified out of AOCI to earnings as a realized gain or loss using the specific identification method.

The Company has elected the fair value option for certain of its Agency MBS that it does not intend to hold to maturity. These securities are carried at their fair value with changes in fair value included in earnings for the period and reported in Other Income, net on the Company's consolidated statements of operations.

The Company has elected the fair value option for certain of its CRT securities as it considers this method of accounting to more appropriately reflect the risk sharing structure of these securities. Such securities are carried at their fair value with changes in fair value included in earnings for the period and reported in Other Income, net on the Company's consolidated statements of operations.

Revenue Recognition, Premium Amortization and Discount Accretion

Interest income on securities is accrued based on the outstanding principal balance and their contractual terms. Premiums and discounts associated with Agency MBS and Non-Agency MBS assessed as high credit quality at the time of purchase are amortized into interest income over the life of such securities using the effective yield method. Adjustments to premium amortization are made for actual prepayment activity.

Interest income on the Non-Agency MBS that were purchased at a discount to par value and/or are considered to be of less than high credit quality is recognized based on the security's effective interest rate which is the security's internal rate of return ("IRR"). The IRR is determined using management's estimate of the projected cash flows for each security, which are based on the Company's observation of current information and events and include assumptions related to fluctuations in interest rates, prepayment speeds and the timing and amount of credit losses. On at least a quarterly basis, the Company reviews and, if appropriate, makes adjustments to its cash flow projections based on input and analysis received from external sources, internal models, and its judgment about interest rates, prepayment rates, the timing and amount of credit losses, and other factors. Changes in cash flows from those originally projected, or from those estimated at the last evaluation, may result in a prospective change in the IRR/ interest income recognized on these securities or in the recognition of OTTIs. (See Note 3)

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

Determination of Fair Value for Residential Mortgage Securities

In determining the fair value of the Company's residential mortgage securities, management considers a number of observable market data points, including prices obtained from pricing services, brokers and repurchase agreement counterparties, dialogue with market participants, as well as management's observations of market activity. (See Note 14)

Impairments/OTTI

When the fair value of an AFS security is less than its amortized cost at the balance sheet date, the security is considered impaired. The Company assesses its impaired securities on at least a quarterly basis and designates such impairments as either "temporary" or "other-than-temporary." If the Company intends to sell an impaired security, or it is more likely than not that it will be required to sell the impaired security before its anticipated recovery, then the Company must recognize an OTTI through charges to earnings equal to the entire difference between the investment's amortized cost and its fair value at the balance sheet date. If the Company does not expect to sell an other-than-temporarily impaired security, only the portion of the impairment related to credit losses is recognized through charges to earnings with the remainder recognized through AOCI on the consolidated balance sheets. Impairments recognized through other comprehensive income/(loss) ("OCI") do not impact earnings. Following the recognition of an OTTI through earnings, a new cost basis is established for the security, which may not be adjusted for subsequent recoveries in fair value through earnings. However, OTTIs recognized through charges to earnings may, upon recovery, be accreted back to the amortized cost basis of the security on a prospective basis through interest income. The determination as to whether an OTTI exists and, if so, the amount of credit impairment recognized in earnings is subjective, as such determinations are based on factual information available at the time of assessment as well as the Company's estimates of future performance and cash flow projections. As a result, the timing and amount of OTTIs constitute material estimates that are susceptible to significant change. (See Note 3)

Non-Agency MBS that are assessed to be of less than high credit quality and on which impairments are recognized have experienced, or are expected to experience, credit-related adverse cash flow changes. The Company's estimate of cash flows for its Non-Agency MBS is based on its review of the underlying mortgage loans securing the MBS. The Company considers information available about the past and expected future performance of underlying mortgage loans, including timing of expected future cash flows, prepayment rates, default rates, loss severities, delinquency rates, percentage of non-performing loans, year of origination, loan-to-value ratios ("LTVs"), geographic concentrations and dialogue with market participants. As a result, significant judgment is used in the Company's analysis to determine the expected cash flows for its Non-Agency MBS. In determining the OTTI related to credit losses for securities that were purchased at significant discounts to par and/or are considered to be of less than high credit quality, the Company compares the present value of the remaining cash flows expected to be collected at the purchase date (or last date previously revised) against the present value of the cash flows expected to be collected at the current financial reporting date. The discount rate used to calculate the present value of expected future cash flows is the current yield used for income recognition purposes. Impairment assessment for Non-Agency MBS that were purchased at prices close to par and/or are otherwise considered to be of high credit quality involves comparing the present value of the remaining cash flows expected to be collected against the amortized cost of the security at the assessment date. The discount rate used to calculate the present value of the expected future cash flows is based on the instrument's IRR.

Balance Sheet Presentation

The Company's residential mortgage securities pledged as collateral against repurchase agreements and Swaps are included on the consolidated balance sheets with the fair value of the securities pledged disclosed parenthetically. Purchases and sales of securities are recorded on the trade date.

(c) Residential Whole Loans (including Residential Whole Loans transferred to consolidated VIEs)

Residential whole loans included in the Company's consolidated balance sheets are primarily comprised of pools of fixed and adjustable rate residential mortgage loans acquired through consolidated trusts in secondary market transactions. The accounting model utilized by the Company is determined at the time each loan package is initially acquired and is generally based on the delinquency status of the majority of the underlying borrowers in the package at acquisition. The accounting model described below for Purchased Credit Impaired Loans that are held at carrying value is typically utilized by the Company for Purchased Credit Impaired Loans where the underlying borrower has a delinquency status of less than 60 days at the acquisition date. The Company also acquires Purchased Performing Loans that are typically held at carrying value, but the accounting methods for income recognition and determination and measurement of any required loan loss reserves (as discussed below) differ from those used for Purchased Credit Impaired Loans held at carrying value. The accounting model described below for residential whole loans held at fair value is typically utilized by the Company for loans where the underlying borrower has a delinquency status of 60 days or more at the acquisition date. The accounting model initially applied is not subsequently changed.

The Company's residential whole loans pledged as collateral against repurchase agreements are included in the consolidated balance sheets with amounts pledged disclosed parenthetically. Purchases and sales of residential whole loans are recorded on the trade date, with amounts recorded reflecting management's current estimate of assets that will be acquired or disposed at the closing of the transaction. This estimate is subject to revision at the closing of the transaction, pending the outcome of due diligence performed prior to closing. Recorded amounts of residential whole loans for which the closing of the purchase transaction is yet to occur are not eligible to be pledged as collateral against any repurchase agreement financing until the closing of the purchase transaction. (See Notes 4, 6, 7, 14 and 15)

Residential Whole Loans at Carrying Value

Purchased Performing Loans

Acquisitions of Purchased Performing Loans to date have been primarily comprised of: (i) loans to finance (or refinance) one-to-four family residential properties that are not considered to meet the definition of a "Qualified Mortgage" in accordance with guidelines adopted by the Consumer Financial Protection Bureau ("Non-QM loans"), (ii) short-term business purpose loans collateralized by residential properties made to non-occupant borrowers who intend to rehabilitate and sell the property for a profit ("Rehabilitation loans" or "Fix and Flip loans"), (iii) loans to finance (or refinance) non-owner occupied one-to four-family residential properties that are rented to one or more tenants ("Single-family rental loans"), and (iv) previously originated loans secured by residential real estate that is generally owner occupied ("Seasoned performing loans"). Purchased Performing Loans are initially recorded at their purchase price. Interest income on Purchased Performing Loans acquired at par is accrued based on each loan's current interest bearing balance and current interest rate, net of related servicing costs. Interest income on such loans purchased at a premium/discount to par is recorded each period based on the contractual coupon net of any amortization of premium or accretion of discount, adjusted for actual prepayment activity. For loans acquired with related servicing rights retained by the seller, interest income is reported net of related serving costs.

An allowance for loan losses is recorded when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms of the loan agreement. Any required loan loss allowance would typically be measured based on the fair value of the collateral securing the loan and would reduce the carrying value of the loan with a corresponding charge to earnings. Significant judgments are required in determining any allowance for loan loss, including assumptions regarding the loan cash flows expected to be collected, the value of the underlying collateral and the ability of the Company to collect on any other forms of security, such as a personal guaranty provided either by the borrower or an affiliate of the borrower. Income recognition is suspended for loans at the earlier of the date at which payments become 90 days past due or when, in the opinion of management, a full recovery of income and principal becomes doubtful. When the ultimate collectability of the principal of an impaired loan is in doubt, all payments are applied to principal under the cost recovery method. When the ultimate collectability of the principal of an impaired loan is not in doubt, interest income is recorded under the cash basis method as interest payments are received. Interest accruals are resumed when the loan becomes contractually current and performance is demonstrated to be resumed. A loan is written off when it is no longer realizable and/or it is legally discharged.

Purchased Credit Impaired Loans

The Company has elected to account for these loans as credit impaired as they were acquired at discounted prices that reflect, in part, the impaired credit history of the borrower. Substantially all of these loans have previously experienced payment delinquencies and the amount owed may exceed the value of the property pledged as collateral. Consequently, these loans generally have a higher likelihood of default than newly originated mortgage loans with LTVs of 80% or less to creditworthy borrowers. The Company believes that amounts paid to acquire these loans represent fair market value at the date of acquisition. Loans considered credit impaired are initially recorded at the purchase price with no allowance for loan losses. Subsequent to acquisition, the recorded amount for these loans reflects the original investment amount, plus accretion of interest income, less principal and interest cash flows received. These loans are presented on the Company's consolidated balance sheets at carrying value, which reflects the recorded amount reduced by any allowance for loan losses established subsequent to acquisition.

Under the application of the accounting model for Purchased Credit Impaired Loans, the Company may aggregate into pools loans acquired in the same fiscal quarter that are assessed as having similar risk characteristics. For each pool established, or on an individual loan basis for loans not aggregated into pools, the Company estimates at acquisition and periodically on at least a quarterly basis, the principal and interest cash flows expected to be collected. The difference between the cash flows expected to be collected and the carrying amount of the loans is referred to as the "accretable yield." This amount is accreted as interest income over the life of the loans using an effective interest rate (level yield) methodology. Interest income recorded each period reflects the amount of accretable yield recognized and not the coupon interest payments received on the underlying loans. The difference between contractually required principal and interest payments and the cash flows expected to be collected is referred to as the "non-accretable difference," and includes estimates of both the effect of prepayments and expected credit losses over the life of the underlying loans.

A decrease in expected cash flows in subsequent periods may indicate impairment at the pool and/or individual loan level, thus requiring the establishment of an allowance for loan losses by a charge to the provision for loan losses. The allowance for loan losses generally represents the present value of cash flows expected at acquisition, adjusted for any increases due to changes in estimated cash flows, that are subsequently no longer expected to be received at the relevant measurement date. Under the accounting model applied to Purchased Credit Impaired Loans, a significant increase in expected cash flows in subsequent periods first reduces any previously recognized allowance for loan losses and then will result in a recalculation in the amount of accretable yield. The adjustment of accretable yield due to a significant increase in expected cash flows is accounted for prospectively as a change in estimate and results in reclassification from nonaccretable difference to accretable yield.

Residential Whole Loans at Fair Value

Certain of the Company's residential whole loans are presented at fair value on its consolidated balance sheets as a result of a fair value election made at the time of acquisition. For the majority of these loans, there is significant uncertainty associated with estimating the timing of and amount of cash flows that will be collected. Further, the cash flows ultimately collected may be dependent on the value of the property securing the loan. Consequently, the Company considers that accounting for these loans at fair value should result in a better reflection over time of the economic returns for the majority of these loans. The Company determines the fair value of its residential whole loans held at fair value after considering portfolio valuations obtained from a third-party who specializes in providing valuations of residential mortgage loans and trading activity observed in the market place. Subsequent changes in fair value are reported in current period earnings and presented in Net gain on residential whole loans measured at fair value through earnings on the Company's consolidated statements of operations.

Cash received representing coupon payments on residential whole loans held at fair value is not included in Interest Income, but rather is included in Net gain on residential whole loans measured at fair value through earnings on the Company's consolidated statements of operations. Cash outflows associated with loan-related advances made by the Company on behalf of the borrower are included in the basis of the loan and are reflected in unrealized gains or losses reported each period.

(d) MSR-Related Assets

The Company has investments in financial instruments whose cash flows are considered to be largely dependent on underlying MSRs that either directly or indirectly act as collateral for the investment. These financial instruments, which are referred to as MSR-related assets are discussed in more detail below. The Company's MSR-related assets pledged as collateral against repurchase agreements are included in the consolidated balance sheets with the amounts pledged disclosed parenthetically. Purchases and sales of MSR-related assets are recorded on the trade date. (See Notes 3, 6, 7 and 14)

Term Notes Backed by MSR-Related Collateral

The Company has invested in term notes that are issued by special purpose vehicles ("SPV") that have acquired rights to receive cash flows representing the servicing fees and/or excess servicing spread associated with certain MSRs. The Company considers payment of principal and interest on these term notes to be largely dependent on the cash flows generated by the underlying MSRs as this impacts the cash flows available to the SPV that issued the term notes. Credit risk borne by the holders of the term notes is also mitigated by structural credit support in the form of over-collateralization. Credit support is also provided by a corporate guarantee from the ultimate parent or sponsor of the SPV that is intended to provide for payment of interest and principal to the holders of the term notes should cash flows generated by the underlying MSRs be insufficient.

The Company's term notes backed by MSR-related collateral are treated as AFS securities and reported at fair value on the Company's consolidated balance sheets with unrealized gains and losses excluded from earnings and reported in AOCI. Interest income is recognized on an accrual basis on the Company's consolidated statements of operations. The Company's valuation process for such notes considers a number of factors, including a comparable bond analysis performed by a third-party pricing service which involves determining a pricing spread at issuance of the term note. The pricing spread is used at each subsequent valuation date to determine an implied yield to maturity of the term note, which is then used to derive an indicative market value for the security. This indicative market value is further reviewed by the Company and may be adjusted to ensure it reflects a realistic exit price at the valuation date given the structural features of these securities. Other factors taken into consideration include indicative values provided by repurchase agreement counterparties, estimated changes in fair value of the related underlying MSR collateral and the financial performance of the ultimate parent or sponsoring entity of the issuer, which has provided a guarantee that is intended to provide for payment of interest and principal to the holders of the term notes should cash flows generated by the related underlying MSR collateral be insufficient.

Corporate Loans

The Company has made or participated in loans to provide financing to entities that originate residential mortgage loans and own the related MSRs. These corporate loans are generally secured by certain MSRs, as well as certain other unencumbered assets owned by the borrower.

Corporate loans are recorded on the Company's consolidated balance sheets at the drawn amount, on which interest income is recognized on an accrual basis on the Company's consolidated statements of operations. Commitment fees received on the undrawn amount are deferred and recognized as interest income over the remaining loan term at the time of draw. At the end of the commitment period, any remaining deferred commitment fees are recorded as Other Income on the Company's consolidated statements of operations. The Company evaluates the recoverability of its corporate loans on a quarterly basis considering various factors, including the current status of the loan, changes in the fair value of the MSRs that secure the loan and the recent financial performance of the borrower.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit with financial institutions and investments in money market funds, all of which have original maturities of three months or less. Cash and cash equivalents may also include cash pledged as collateral to the Company by its repurchase agreement counterparties as a result of reverse margin calls (i.e., margin calls made by the Company). The Company did not hold any cash pledged by its counterparties at March 31, 2019 and December 31, 2018. At March 31, 2019 and December 31, 2018, the Company had cash and cash equivalents of $76.6 million and $52.0 million, respectively. The Company's investments in overnight money market funds, which are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency, were $57.0 million and $30.0 million at March 31, 2019 and December 31, 2018, respectively. In addition, deposits in FDIC insured accounts generally exceed insured limits. (See Notes 7 and 14)

(f) Restricted Cash

Restricted cash represents the Company's cash held by its counterparties in connection with certain of the Company's Swaps and/or repurchase agreements that is not available to the Company for general corporate purposes. Restricted cash may be applied against amounts due to repurchase agreement and/or Swap counterparties, or may be returned to the Company when the related collateral requirements are exceeded or at the maturity of the Swaps and/or repurchase agreement. The Company had aggregate restricted cash held as collateral or otherwise in connection with its repurchase agreements and/or Swaps of $42.0 million and $36.7 million at March 31, 2019 and December 31, 2018, respectively. (See Notes 5(b), 6, 7 and 14)

(g) Goodwill

At March 31, 2019 and December 31, 2018, the Company had goodwill of $7.2 million, which represents the unamortized portion of the excess of the fair value of its common stock issued over the fair value of net assets acquired in connection with its formation in 1998. Goodwill, which is no longer subject to amortization, is tested for impairment at least annually, or more frequently under certain circumstances, at the entity level. Through March 31, 2019, the Company had not recognized any impairment against its goodwill. Goodwill is included in Other assets on the Company's consolidated balance sheets.

(h) Real Estate Owned ("REO")

REO represents real estate acquired by the Company, including through foreclosure, deed in lieu of foreclosure, or purchased in connection with the acquisition of residential whole loans. REO acquired through foreclosure or deed in lieu of foreclosure is initially recorded at fair value less estimated selling costs. REO acquired in connection with the acquisition of residential whole loans is initially recorded at its purchase price. Subsequent to acquisition, REO is reported, at each reporting date, at the lower of the current carrying amount or fair value less estimated selling costs and for presentation purposes is included in Other assets on the Company's consolidated balance sheets. Changes in fair value that result in an adjustment to the reported amount of an REO property that has a fair value at or below its carrying amount are reported in Other Income, net on the Company's consolidated statements of operations. (See Note 5(a))

(i) Depreciation

Leasehold Improvements and Other Depreciable Assets

Depreciation is computed on the straight-line method over the estimated useful life of the related assets or, in the case of leasehold improvements, over the shorter of the useful life or the lease term. Furniture, fixtures, computers and related hardware have estimated useful lives ranging from five to eight years at the time of purchase.

(j) Loan Securitization and Other Debt Issuance Costs

Loan securitization related costs are costs associated with the issuance of beneficial interests by consolidated VIEs and incurred by the Company in connection with various financing transactions completed by the Company. Other debt issuance and related costs include costs incurred by the Company in connection with issuing 8% Senior Notes due 2042 ("Senior Notes") and certain other repurchase agreement financings. These costs may include underwriting, rating agency, legal, accounting and other fees. Such costs, which reflect deferred charges, are included on the Company's consolidated balance sheets as a direct deduction from the corresponding debt liability. These deferred charges are amortized as an adjustment to interest expense using the effective interest method. For Senior Notes and other repurchase agreement financings, such costs are amortized over the shorter of the period to the expected or stated legal maturity of the debt instruments. The Company periodically reviews the recoverability of these deferred costs and in the event an impairment charge is required, such amount will be included in Operating and Other Expense on the Company's consolidated statements of operations.

(k) Repurchase Agreements

The Company finances the holdings of a significant portion of its residential mortgage assets with repurchase agreements. Under repurchase agreements, the Company sells securities to a lender and agrees to repurchase the same securities in the future for a price that is higher than the original sale price. The difference between the sale price that the Company receives and the repurchase price that the Company pays represents interest paid to the lender. Although legally structured as sale and repurchase transactions, the Company accounts for repurchase agreements as secured borrowings. Under its repurchase agreements, the Company pledges its securities as collateral to secure the borrowing, in an amount which is equal to a specified percentage of the fair value of the pledged collateral, while the Company retains beneficial ownership of the pledged collateral. At the maturity of a repurchase financing, unless the repurchase financing is renewed with the same counterparty, the Company is required to repay the loan including any accrued interest and concurrently receives back its pledged collateral from the lender. With the consent of the lender, the Company may renew a repurchase financing at the then prevailing financing terms. Margin calls, whereby a lender requires that the Company pledge additional assets or cash as collateral to secure borrowings under its repurchase financing with such lender, are routinely experienced by the Company when the value of the assets pledged as collateral declines as a result of principal amortization and prepayments or due to changes in market interest rates, spreads or other market conditions. The Company also may make margin calls on counterparties when collateral values increase.

The Company's repurchase financings typically have terms ranging from one month to six months at inception, but may also have longer or shorter terms. Should a counterparty decide not to renew a repurchase financing at maturity, the Company must either refinance elsewhere or be in a position to satisfy the obligation. If, during the term of a repurchase financing, a lender should default on its obligation, the Company might experience difficulty recovering its pledged assets which could result in an unsecured claim against the lender for the difference between the amount loaned to the Company plus interest due to the counterparty and the fair value of the collateral pledged by the Company to such lender, including accrued interest receivable on such collateral. (See Notes 6, 7 and 14)

In addition to the repurchase agreement financing arrangements discussed above, as part of its financing strategy for Non-Agency MBS, the Company in prior periods entered into contemporaneous repurchase and reverse repurchase agreements with a single counterparty. Under a typical reverse repurchase agreement, the Company buys securities from a borrower for cash and agrees to sell the same securities in the future for a price that is higher than the original purchase price. The difference between the purchase price the Company originally paid and the sale price represents interest received from the borrower. In contrast, the contemporaneous repurchase and reverse repurchase transactions effectively resulted in the Company pledging Non-Agency MBS as collateral to the counterparty in connection with the repurchase agreement financing and obtaining U.S. Treasury securities as collateral from the same counterparty in connection with the reverse repurchase agreement. No net cash was exchanged between the Company and counterparty at the inception of the transactions.

(l) Equity-Based Compensation

Compensation expense for equity-based awards that are subject to vesting conditions, is recognized ratably over the vesting period of such awards, based upon the fair value of such awards at the grant date. For certain awards granted prior to January 1, 2017, compensation expense recognized included the impact of estimated forfeitures, with any changes in estimated forfeiture rates accounted for as a change in estimate. Upon adoption of new accounting guidance that was effective for the Company on January 1, 2017, the Company made a policy election to account for forfeitures as they occur.

Beginning in 2014, the Company has made annual grants of restricted stock units ("RSUs") certain of which cliff vest after a three-year period, subject only to continued employment, and others of which cliff vest after a three-year period, subject to both continued employment and the achievement of certain performance criteria based on a formula tied to the Company's achievement of average total shareholder return during that three-year period, as well as the total shareholder return ("TSR") of the Company relative to the TSR of a group of peer companies (over the three-year period) selected by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee") at the date of grant. The features in these awards related to the attainment of total shareholder return over a specified period constitute a "market condition" which impacts the amount of compensation expense recognized for these awards. Specifically, the uncertainty regarding the achievement of the market condition was reflected in the grant date fair valuation of the RSUs, which is recognized as compensation expense over the relevant vesting period. The amount of compensation expense recognized is not dependent on whether the market condition was or will be achieved.

The Company makes dividend equivalent payments in connection with certain of its equity-based awards. A dividend equivalent is a right to receive a distribution equal to the dividend distributions that would be paid on a share of the Company's common stock. Dividend equivalents may be granted as a separate instrument or may be a right associated with the grant of another award (e.g., an RSU) under the Company's Equity Compensation Plan (the "Equity Plan"), and they are paid in cash or other consideration at such times and in accordance with such rules, terms and conditions, as the Compensation Committee may determine in its discretion. Payments pursuant to dividend equivalents are generally charged to Stockholders' Equity to the extent that the attached equity awards are expected to vest. Compensation expense is recognized for payments made for dividend equivalents to the extent that the attached equity awards (i) do not or are not expected to vest and (ii) grantees are not required to return payments of dividends or dividend equivalents to the Company. (See Notes 2(m) and 13)

(m) Earnings per Common Share ("EPS")

Basic EPS is computed using the two-class method, which includes the weighted-average number of shares of common stock outstanding during the period and an estimate of other securities that participate in dividends, such as the Company's unvested restricted stock and RSUs that have non-forfeitable rights to dividends and dividend equivalents attached to/associated with RSUs and vested stock options to arrive at total common equivalent shares. In applying the two-class method, earnings are allocated to both shares of common stock and estimated securities that participate in dividends based on their respective weighted-average shares outstanding for the period. For the diluted EPS calculation, common equivalent shares are further adjusted for the effect of dilutive unexercised stock options and RSUs outstanding that are unvested and have dividends that are subject to forfeiture using the treasury stock method. Under the treasury stock method, common equivalent shares are calculated assuming that all dilutive common stock equivalents are exercised and the proceeds, along with future compensation expenses associated with such instruments, are used to repurchase shares of the Company's outstanding common stock at the average market price during the reported period. (See Note 12)

(n) Comprehensive Income/(Loss)

The Company's comprehensive income/(loss) available to common stock and participating securities includes net income, the change in net unrealized gains/(losses) on its AFS securities and derivative hedging instruments, (to the extent that such changes are not recorded in earnings), adjusted by realized net gains/(losses) reclassified out of AOCI for sold AFS securities and is reduced by dividends declared on the Company's preferred stock and issuance costs of redeemed preferred stock.

(o) U.S. Federal Income Taxes

The Company has elected to be taxed as a REIT under the provisions of the Internal Revenue Code of 1986, as amended, (the "Code") and the corresponding provisions of state law. The Company expects to operate in a manner that will enable it to satisfy the various requirements to maintain its status as a REIT for federal income tax purposes. In order to maintain its status as a REIT, the Company must, among other things, distribute at least 90% of its REIT taxable income (excluding net long-term capital gains) to stockholders in the timeframe permitted by the Code. As long as the Company maintains its status as a REIT, the Company will not be subject to regular federal income tax to the extent that it distributes 100% of its REIT taxable income (including net long-term capital gains) to its stockholders within the permitted timeframe. Should this not occur, the Company would be subject to federal taxes at prevailing corporate tax rates on the difference between its REIT taxable income and the amounts deemed to be distributed for that tax year. As the Company's objective is to distribute 100% of its REIT taxable income to its stockholders within the permitted timeframe, no provision for current or deferred income taxes has been made in the accompanying consolidated financial statements. Should the Company incur a liability for corporate income tax, such amounts would be recorded as REIT income tax expense on the Company's consolidated statements of operations. Furthermore, if the Company fails to distribute during each calendar year, or by the end of January following the calendar year in the case of distributions with declaration and record dates falling in the last three months of the calendar year, at least the sum of (i) 85% of its REIT ordinary income for such year, (ii) 95% of its REIT capital gain income for such year, and (iii) any undistributed taxable income from prior periods, the Company would be subject to a 4% nondeductible excise tax on the excess of the required distribution over the amounts actually distributed. To the extent that the Company incurs interest, penalties or related excise taxes in connection with its tax obligations, including as a result of its assessment of uncertain tax positions, such amounts will be included in Operating and Other Expense on the Company's consolidated statements of operations.

In addition, the Company has elected to treat certain of its subsidiaries as a TRS. In general, a TRS may hold assets and engage in activities that the Company cannot hold or engage in directly and generally may engage in any real estate or non-real estate-related business. Generally, a domestic TRS is subject to U.S. federal, state and local corporate income taxes. Since a portion of the Company's business is conducted through one or more TRS, its net taxable income earned by its domestic TRS, if any, is subject to corporate income taxation. To maintain the Company's REIT election, no more than 20% of the value of a REIT's assets at the end of each calendar quarter may consist of stock or securities in TRS. For purposes of the determination of U.S. federal and state income taxes, the Company's subsidiaries that elected to be treated as a TRS record current or deferred income taxes based on differences (both permanent and timing) between the determination of their taxable income and net income under GAAP. No net deferred tax benefit was recorded by the Company for the three months ended March 31, 2019 and 2018, related to the net taxable losses in the TRS, since a valuation allowance for the full amount of the associated deferred tax asset of approximately $22.9 million was recognized as its recovery is not considered more likely than not. The related net operating loss carryforwards generated prior to 2018 will begin to expire in 2034; those generated in 2019 do not expire.

Based on its analysis of any potential uncertain tax positions, the Company concluded that it does not have any material uncertain tax positions that meet the relevant recognition or measurement criteria as of March 31, 2019, December 31, 2018, or March 31, 2018. The Company's tax returns for tax years 2015 through 2017 are open to examination.

(p) Derivative Financial Instruments

The Company may use a variety of derivative instruments to economically hedge a portion of its exposure to market risks, including interest rate risk and prepayment risk. The objective of the Company's risk management strategy is to reduce fluctuations in net book value over a range of interest rate scenarios. In particular, the Company attempts to mitigate the risk of the cost of its variable rate liabilities increasing during a period of rising interest rates. The Company's derivative instruments are currently comprised of Swaps, the majority which are designated as cash flow hedges against the interest rate risk associated with its borrowings.

Swaps

The Company documents its risk-management policies, including objectives and strategies, as they relate to its hedging activities and the relationship between the hedging instrument and the hedged liability for all Swaps designated as hedging transactions. The Company assesses, both at the inception of a hedge and on a quarterly basis thereafter, whether or not the hedge is "highly effective."

Swaps are carried on the Company's consolidated balance sheets at fair value, in Other assets, if their fair value is positive, or in Other liabilities, if their fair value is negative. Beginning in January 2017, variation margin payments on the Company's Swaps that have been novated to a clearing house are treated as a legal settlement of the exposure under the Swap contract. Previously such payments were treated as collateral pledged against the exposure under the Swap contract. The effect of this change is to reduce what would have otherwise been reported as the fair value of the Swap. All of the Company's Swaps have been novated to a central clearing house. Changes in the fair value of the Company's Swaps designated in hedging transactions are recorded in OCI provided that the hedge remains effective. Periodic payments accrued in connection with Swaps designated as hedges are included in interest expense, and are treated as an operating cash flow.

The Company discontinues hedge accounting on a prospective basis and recognizes changes in fair value through earnings when: (i) it is determined that the derivative is no longer effective in offsetting cash flows of a hedged item (including forecasted transactions); (ii) it is no longer probable that the forecasted transaction will occur; or (iii) it is determined that designating the derivative as a hedge is no longer appropriate. (See Notes 5(b), 7 and 14)

Changes in the fair value of the Company's Swaps not designated in hedging transactions are recorded in Other income, net on the Company's consolidated statement of operations.

(q) Fair Value Measurements and the Fair Value Option for Financial Assets and Financial Liabilities

The Company's presentation of fair value for its financial assets and liabilities is determined within a framework that stipulates that the fair value of a financial asset or liability is an exchange price in an orderly transaction between market participants to sell the asset or transfer the liability in the market in which the reporting entity would transact for the asset or liability, that is, the principal or most advantageous market for the asset or liability. The transaction to sell the asset or transfer the liability is a hypothetical transaction at the measurement date, considered from the perspective of a market participant that holds the asset or owes the liability. This definition of fair value focuses on exit price and prioritizes the use of market-based inputs over entity-specific inputs when determining fair value. In addition, the framework for measuring fair value establishes a three-level hierarchy for fair value measurements based upon the observability of inputs to the valuation of an asset or liability as of the measurement date.

In addition to the financial instruments that it is required to report at fair value, the Company has elected the fair value option for certain of its residential whole loans, Agency MBS and CRT securities at the time of acquisition. Subsequent changes in the fair value of these financial instruments are reported in Other income, net, in the Company's consolidated statements of operations. A decision to elect the fair value option for an eligible financial instrument, which may be made on an instrument by instrument basis, is irrevocable. (See Notes 2(b), 2(c), 3, 4 and 14)

(r) Variable Interest Entities

An entity is referred to as a VIE if it meets at least one of the following criteria: (i) the entity has equity that is insufficient to permit the entity to finance its activities without the additional subordinated financial support of other parties; or (ii) as a group, the holders of the equity investment at risk lack (a) the power to direct the activities of an entity that most significantly impact the entity's economic performance; (b) the obligation to absorb the expected losses; or (c) the right to receive the expected residual returns; or (iii) the holders of the equity investment at risk have disproportional voting rights and the entity's activities are conducted on behalf of the investor that has disproportionately few voting rights.

The Company consolidates a VIE when it has both the power to direct the activities that most significantly impact the economic performance of the VIE and a right to receive benefits or absorb losses of the entity that could be potentially significant to the VIE. The Company is required to reconsider its evaluation of whether to consolidate a VIE each reporting period, based upon changes in the facts and circumstances pertaining to the VIE.

The Company has entered into several financing transactions which resulted in the Company forming entities to facilitate these transactions. In determining the accounting treatment to be applied to these transactions, the Company concluded that the entities used to facilitate these transactions are VIEs and that they should be consolidated. If the Company had determined that consolidation was not required, it would have then assessed whether the transfers of the underlying assets would qualify as sale or should be accounted for as secured financings under GAAP. (See Note 15)

The Company also includes on its consolidated balance sheets certain financial assets and liabilities that are acquired/issued by trusts and/or other special purpose entities that have been evaluated as being required to be consolidated by the Company under the applicable accounting guidance.

(s) Offering Costs Related to Issuance and Redemption of Preferred Stock

Offering costs related to the issuance of preferred stock are recorded as a reduction in Additional paid-in capital, a component of Stockholders' Equity, at the time such preferred stock is issued. On redemption of preferred stock, any excess of the fair value of the consideration transferred to the holders of the preferred stock over the carrying amount of the preferred stock in the Company's consolidated balance sheets is included in the determination of Net Income Available to Common Stock and Participating Securities in the calculation of EPS.

(t) New Accounting Standards and Interpretations

Accounting Standards Adopted in 2019

Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements* ("ASU 2018-13"). The amendments in ASU 2018-13 eliminate, add and modify certain disclosure requirements for fair value measurements as part of the FASB's disclosure framework project, which aims to improve the effectiveness of disclosures in the notes to financial statements by focusing on requirements that are the most important to the users. The Company early adopted ASU 2018-13 effective on January 1, 2019 and its adoption did not have a significant impact on its financial position or financial statement disclosures.

Compensation - Stock Compensation - Improvements to Nonemployee Share-Based Payment Accounting

In June 2018, the FASB issued ASU 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting* ("ASU 2018-07"). The amendments in this ASU simplify the accounting for share-based payments to nonemployees by aligning it with the accounting for share-based payments to employees, with certain exceptions. The amendments in ASU 2018-07 do not change existing guidance on accounting for share-based payment transactions for employees. The Company adopted ASU 2018-07 on January 1, 2019 and its adoption did not have a significant impact on its financial position or financial statement disclosures.

Derivatives and Hedging - Targeted Improvements to Accounting for Hedging Activities

In August 2017, the FASB issued ASU 2017-12, *Targeted Improvements to Accounting for Hedging Activities* ("ASU 2017-12"). The amendments in this ASU expand an entity's ability to hedge non-financial and financial risk components and reduce complexity in fair value hedges of interest rate risk. The new guidance eliminates the requirement to separately measure and report hedge ineffectiveness and requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. ASU 2017-12 also simplifies certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. The Company adopted ASU 2017-12 on January 1, 2019 and its adoption did not have a significant impact on its financial statements or financial statement disclosures.

Receivables - Nonrefundable Fees and Other Costs

In March 2017, the FASB issued ASU 2017-08, *Premium Amortization on Purchased Callable Debt Securities* ("ASU 2017-08"). The amendments in this ASU shorten the amortization period for certain purchased callable debt securities held at a premium to the earliest call date. The Company adopted ASU 2017-08 on January 1, 2019 and its adoption did not have a significant impact on its financial statements or financial statement disclosures.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases* ("ASU 2016-02"). The amendments in this ASU establish a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The Company's significant lease contracts are discussed in Note 10(a) of the consolidated financial statements. The Company adopted ASU 2016-02 on January 1, 2019 and, given the relatively limited nature and extent of lease financing transactions that the Company has entered into, its adoption did not have a material impact on its financial position or financial statement disclosures.

3. Residential Mortgage Securities and MSR-Related Assets

Agency and Non-Agency MBS

The Company's MBS are comprised of Agency MBS and Non-Agency MBS which include MBS issued prior to 2008 ("Legacy Non-Agency MBS"). These MBS are secured by: (i) hybrid mortgages ("Hybrids"), which have interest rates that are fixed for a specified period of time and, thereafter, generally adjust annually to an increment over a specified interest rate index; (ii) adjustable-rate mortgages ("ARMs"), which have interest rates that reset annually or more frequently (collectively, "ARM-MBS"); and (iii) 15 and 30 year fixed-rate mortgages for Agency MBS and, for Non-Agency MBS, 30-year and longer-term fixed rate mortgages. In addition, the Company's MBS are also comprised of MBS backed by securitized re-performing/non-performing loans ("RPL/NPL MBS"), where the cash flows of the bond may not reflect the contractual cash flows of the underlying collateral. The Company's RPL/NPL MBS are generally structured with a contractual coupon step-up feature where the coupon increases from 300 - 400 basis points at 36 - 48 months from issuance or sooner. The Company pledges a significant portion of its MBS as collateral against its borrowings under repurchase agreements and Swaps. (See Note 7)

Agency MBS: Agency MBS are guaranteed as to principal and/or interest by a federally chartered corporation, such as Fannie Mae or Freddie Mac, or an agency of the U.S. Government, such as Ginnie Mae. The payment of principal and/or interest on Ginnie Mae MBS is explicitly backed by the full faith and credit of the U.S. Government. Since the third quarter of 2008, Fannie Mae and Freddie Mac have been under the conservatorship of the Federal Housing Finance Agency, which significantly strengthened the backing for these government-sponsored entities.

Non-Agency MBS: The Company's Non-Agency MBS are primarily secured by pools of residential mortgages, which are not guaranteed by an agency of the U.S. Government or any federally chartered corporation. Credit risk associated with Non-Agency MBS is regularly assessed as new information regarding the underlying collateral becomes available and based on updated estimates of cash flows generated by the underlying collateral.

CRT Securities

CRT securities are debt obligations issued or sponsored by Fannie Mae and Freddie Mac. The payments of principal and interest on the CRT securities are paid by Fannie Mae or Freddie Mac, as the case may be, on a monthly basis, and are dependent on the performance of loans in either a reference pool or an actual pool of loans. As the loans in the underlying pool are paid, the principal balance of the CRT securities is paid. As an investor in a CRT security, the Company may incur a principal loss if the performance of the actual or reference pool loans results in either an actual or calculated loss that exceeds the credit enhancement of the security owned by the Company. The Company assesses the credit risk associated with CRT securities by assessing the current and expected future performance of the associated loan pool. The Company pledges a portion of its CRT securities as collateral against its borrowings under repurchase agreements. (See Note 7)

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The following tables present certain information about the Company's residential mortgage securities at March 31, 2019 and December 31, 2018:

March 31, 2019

(In Thousands)	Principal/ Current Face	Purchase Premiums	Accretable Purchase Discounts	Discount Designated as Credit Reserve and OTTI *(1)*	Amortized Cost *(2)*	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gain/(Loss)	Fair Value
Agency MBS: *(3)*									
Fannie Mae	$ 1,594,136	$ 61,287	$ (24)	$ —	$ 1,655,399	$ 11,697	$ (25,881)	$ (14,184)	$ 1,641,215
Freddie Mac	871,714	35,450	—	—	907,687	2,635	(9,631)	(6,996)	900,691
Ginnie Mae	4,566	84	—	—	4,650	41	—	41	4,691
Total Agency MBS	2,470,416	96,821	(24)	—	2,567,736	14,373	(35,512)	(21,139)	2,546,597
Non-Agency MBS:									
Expected to Recover Par *(4)(5)*	1,424,461	9	(20,410)	—	1,404,060	21,802	(1,602)	20,200	1,424,260
Expected to Recover Less than Par *(4)*	1,861,227	—	(109,737)	(501,619)	1,249,871	425,519	(378)	425,141	1,675,012
Total Non-Agency MBS *(6)*	3,285,688	9	(130,147)	(501,619)	2,653,931	447,321	(1,980)	445,341	3,099,272
Total MBS	5,756,104	96,830	(130,171)	(501,619)	5,221,667	461,694	(37,492)	424,202	5,645,869
CRT securities *(7)*	406,338	7,519	(15)	—	413,842	11,646	(1,786)	9,860	423,702
Total MBS and CRT securities	$ 6,162,442	$ 104,349	$ (130,186)	$ (501,619)	$ 5,635,509	$ 473,340	$ (39,278)	$ 434,062	$ 6,069,571

December 31, 2018

(In Thousands)	Principal/ Current Face	Purchase Premiums	Accretable Purchase Discounts	Discount Designated as Credit Reserve and OTTI *(1)*	Amortized Cost *(2)*	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gain/(Loss)	Fair Value
Agency MBS: *(3)*									
Fannie Mae	$ 1,716,340	$ 65,930	$ (24)	$ —	$ 1,782,246	$ 12,107	$ (32,321)	$ (20,214)	$ 1,762,032
Freddie Mac	909,561	36,991	—	—	947,588	907	(17,177)	(16,270)	931,318
Ginnie Mae	4,729	87	—	—	4,816	47	—	47	4,863
Total Agency MBS	2,630,630	103,008	(24)	—	2,734,650	13,061	(49,498)	(36,437)	2,698,213
Non-Agency MBS:									
Expected to Recover Par *(4)(5)*	1,536,485	40	(21,725)	—	1,514,800	20,520	(7,620)	12,900	1,527,700
Expected to Recover Less than Par *(4)*	2,002,319	—	(133,300)	(516,116)	1,352,903	438,465	(769)	437,696	1,790,599
Total Non-Agency MBS *(6)*	3,538,804	40	(155,025)	(516,116)	2,867,703	458,985	(8,389)	450,596	3,318,299
Total MBS	6,169,434	103,048	(155,049)	(516,116)	5,602,353	472,046	(57,887)	414,159	6,016,512
CRT securities *(7)*	476,744	9,321	107	—	486,172	12,545	(5,896)	6,649	492,821
Total MBS and CRT securities	$ 6,646,178	$ 112,369	$ (154,942)	$ (516,116)	$ 6,088,525	$ 484,591	$ (63,783)	$ 420,808	$ 6,509,333

(1) Discount designated as Credit Reserve and amounts related to OTTI are generally not expected to be accreted into interest income. Amounts disclosed at March 31, 2019 reflect Credit Reserve of $489.1 million and OTTI of $12.5 million. Amounts disclosed at December 31, 2018 reflect Credit Reserve of $503.3 million and OTTI of $12.8 million.

(2) Includes principal payments receivable of $524,000 and $1.0 million at March 31, 2019 and December 31, 2018, respectively, which are not included in the Principal/Current Face.

(3) Amounts disclosed at March 31, 2019 and December 31, 2018 include Agency MBS with a fair value of $714.7 million and $736.5 million, respectively, for which the fair value option has been elected. Such securities had gross unrealized gains of $2.7 million and no unrealized losses at March 31, 2019, and no unrealized gains and gross unrealized losses of approximately $3.3 million at December 31, 2018, respectively.

(4) Based on management's current estimates of future principal cash flows expected to be received.

(5) Includes RPL/NPL MBS, which at March 31, 2019 had a $1.3 billion Principal/Current face, $1.3 billion amortized cost and $1.3 billion fair value. At December 31, 2018, RPL/NPL MBS had a $1.4 billion Principal/Current face, $1.4 billion amortized cost and $1.4 billion fair value.

(6) At March 31, 2019 and December 31, 2018, the Company expected to recover approximately 85% and 85% of the then-current face amount of Non-Agency MBS, respectively.

(7) Amounts disclosed at March 31, 2019 includes CRT securities with a fair value of $403.3 million for which the fair value option has been elected. Such securities had gross unrealized gains of approximately $11.4 million and gross unrealized losses of approximately $1.8 million at March 31, 2019. Amounts disclosed at December 31, 2018 includes CRT securities with a fair value of $477.4 million for which the fair value option has been elected. Such securities had gross unrealized gains of approximately $12.5 million and gross unrealized losses of approximately $5.6 million at December 31, 2018.

Sales of Residential Mortgage Securities

During the three months ended March 31, 2019, the Company sold certain CRT securities for $83.4 million, realizing gains of $6.5 million. In addition, during the three months ended March 31, 2019, the Company sold certain Non-Agency MBS for $126.1 million, realizing gains of $18.2 million. During the three months ended March 31, 2018, the Company sold certain Non-Agency MBS for $19.4 million, realizing gains of $8.8 million. The Company has no continuing involvement with any of the sold MBS.

Unrealized Losses on Residential Mortgage Securities

The following table presents information about the Company's residential mortgage securities that were in an unrealized loss position at March 31, 2019:

Unrealized Loss Position For:

	Less than 12 Months			12 Months or more			Total	
(Dollars in Thousands)	**Fair Value**	**Unrealized Losses**	**Number of Securities**	**Fair Value**	**Unrealized Losses**	**Number of Securities**	**Fair Value**	**Unrealized Losses**
Agency MBS:								
Fannie Mae	$ 99,955	$ 858	52	$ 860,036	$ 25,023	303	$ 959,991	$ 25,881
Freddie Mac	242	1	1	277,334	9,630	126	277,576	9,631
Total Agency MBS	100,197	859	53	1,137,370	34,653	429	1,237,567	35,512
Non-Agency MBS:								
Expected to Recover Par *(1)*	290,671	636	5	91,257	966	4	381,928	1,602
Expected to Recover Less than Par *(1)*	13,382	316	8	2,009	62	1	15,391	378
Total Non-Agency MBS	304,053	952	13	93,266	1,028	5	397,319	1,980
Total MBS	404,250	1,811	66	1,230,636	35,681	434	1,634,886	37,492
CRT securities *(2)*	136,760	1,786	33	—	—	—	136,760	1,786
Total MBS and CRT securities	$ 541,010	$ 3,597	99	$1,230,636	$ 35,681	434	$1,771,646	$ 39,278

(1) Based on management's current estimates of future principal cash flows expected to be received.
(2) Amounts disclosed at March 31, 2019 include CRT securities with a fair value of $136.8 million for which the fair value option has been elected. Such securities had unrealized losses of $1.8 million at March 31, 2019.

At March 31, 2019, the Company did not intend to sell any of its investments that were in an unrealized loss position, and it is "more likely than not" that the Company will not be required to sell these securities before recovery of their amortized cost basis, which may be at their maturity.

Gross unrealized losses on the Company's Agency MBS were $35.5 million at March 31, 2019. Agency MBS are issued by Government Sponsored Entities ("GSEs") and enjoy either the implicit or explicit backing of the full faith and credit of the U.S. Government. While the Company's Agency MBS are not rated by any rating agency, they are currently perceived by market participants to be of high credit quality, with risk of default limited to the unlikely event that the U.S. Government would not continue to support the GSEs. Given the credit quality inherent in Agency MBS, the Company does not consider any of the current impairments on its Agency MBS to be credit related. In assessing whether it is more likely than not that it will be required to sell any impaired security before its anticipated recovery, which may be at its maturity, the Company considers for each impaired security, the significance of each investment, the amount of impairment, the projected future performance of such impaired securities, as well as the Company's current and anticipated leverage capacity and liquidity position. Based on these analyses, the Company determined that at March 31, 2019 any unrealized losses on its Agency MBS were temporary.

Gross unrealized losses on the Company's Non-Agency MBS were $2.0 million at March 31, 2019. Based upon the most recent evaluation, the Company does not consider these unrealized losses to be indicative of OTTI and does not believe that these unrealized losses are credit related, but are rather a reflection of current market yields and/or marketplace bid-ask spreads. The Company has reviewed its Non-Agency MBS that are in an unrealized loss position to identify those securities with losses that are other-than-temporary based on an assessment of changes in expected cash flows for such securities, which considers recent bond performance and, where possible, expected future performance of the underlying collateral.

The Company did not recognize any credit-related OTTI losses through earnings related to its Non-Agency MBS during the three months ended March 31, 2019 and 2018. Non-Agency MBS on which OTTI is recognized have experienced, or are expected to experience, credit-related adverse cash flow changes. The Company's estimate of cash flows for these Non-Agency MBS is based on its review of the underlying mortgage loans securing these MBS. The Company considers information available about the structure of the securitization, including structural credit enhancement, if any, and the past and expected future performance of underlying mortgage loans, including timing of expected future cash flows, prepayment rates, default rates, loss severities, delinquency rates, percentage of non-performing loans, year of origination, LTVs, geographic concentrations, and dialogue with market participants. Changes in the Company's evaluation of each of these factors impacts the cash flows expected to be collected at the OTTI assessment date. For Non-Agency MBS purchased at a discount to par that were assessed for and had no OTTI recorded this period, such cash flow estimates indicated that the amount of expected losses decreased compared to the previous OTTI assessment date. These positive cash flow changes are primarily driven by recent improvements in LTVs due to loan amortization and home price appreciation, which, in turn, positively impacts the Company's estimates of default rates and loss severities for the underlying collateral. In addition, voluntary prepayments (i.e., loans that prepay in full with no loss) have generally trended higher relative to the Company's assumptions for these MBS which also positively impacts the Company's estimate of expected loss. Overall, the combination of higher voluntary prepayments and lower LTVs supports the Company's assessment that such MBS are not other-than-temporarily impaired.

The following table presents a roll-forward of the credit loss component of OTTI on the Company's Non-Agency MBS for which a non-credit component of OTTI was previously recognized in OCI. Changes in the credit loss component of OTTI are presented based upon whether the current period is the first time OTTI was recorded on a security or a subsequent OTTI charge was recorded.

	Three Months Ended March 31,	
(In Thousands)	**2019**	**2018**
Credit loss component of OTTI at beginning of period	$ 39,596	$ 38,337
Additions for credit related OTTI not previously recognized	—	—
Subsequent additional credit related OTTI recorded	—	—
Credit loss component of OTTI at end of period	$ 39,596	$ 38,337

Purchase Discounts on Non-Agency MBS

The following tables present the changes in the components of the Company's purchase discount on its Non-Agency MBS between purchase discount designated as Credit Reserve and OTTI and accretable purchase discount for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31, 2019		Three Months Ended March 31, 2018	
(In Thousands)	**Discount Designated as Credit Reserve and OTTI**	**Accretable Discount *(1)***	**Discount Designated as Credit Reserve and OTTI**	**Accretable Discount *(1)***
Balance at beginning of period	$ (516,116)	$ (155,025)	$ (593,227)	$ (215,325)
Impact of RMBS Issuer Settlement *(2)*	—	(855)	—	—
Accretion of discount	—	13,307	—	17,216
Realized credit losses	7,504	—	8,447	—
Purchases	—	(118)	(535)	488
Sales	3,191	16,346	5,592	5,105
Transfers/release of credit reserve	3,802	(3,802)	7,143	(7,143)
Balance at end of period	$ (501,619)	$ (130,147)	$ (572,580)	$ (199,659)

(1) Together with coupon interest, accretable purchase discount is recognized as interest income over the life of the security.

(2) Includes the impact of approximately $855,000 of cash proceeds (a one-time payment) received by the Company during the three months ended March 31, 2019 in connection with the settlement of litigation related to certain residential mortgage backed securitization trusts that were sponsored by JP Morgan Chase & Co. and affiliated entities.

MSR-Related Assets

(a) Term Notes Backed by MSR-Related Collateral

At March 31, 2019 and December 31, 2018, the Company had $753.6 million and $538.5 million, respectively, of term notes issued by SPVs that have acquired rights to receive cash flows representing the servicing fees and/or excess servicing spread associated with certain MSRs. Payment of principal and interest on these term notes is considered to be largely dependent on cash flows generated by the underlying MSRs, as this impacts the cash flows available to the SPV that issued the term notes.

At March 31, 2019, these term notes had an amortized cost of $753.1 million, gross unrealized gains of approximately $505,230, a weighted average yield of 5.44% and a weighted average term to maturity of 4.4 years. At December 31, 2018, the term notes had an amortized cost of $538.5 million, gross unrealized losses of $7,000, a weighted average yield of 5.32% and a weighted average term to maturity of 4.7 years.

(b) Corporate Loans

The Company has made or participated in loans to provide financing to entities that originate residential mortgage loans and own the related MSRs. These corporate loans are secured by MSRs, as well as certain other unencumbered assets owned by the borrower.

During the year ended December 31, 2018, the Company participated in a loan where the Company committed to lend $100.0 million of which approximately $71.8 million was drawn at March 31, 2019. At March 31, 2019, the coupon paid by the borrower on the drawn amount is 5.87%, the remaining term associated with the loan is 1.4 years and the remaining commitment period on any undrawn amount is 1.4 years. During the remaining commitment period, the Company receives a commitment fee between 0.25% and 1.0% based on the undrawn amount of the loan.

In December 2016, the Company entered into a loan agreement under the terms of which it had committed to lend $130.0 million, of which approximately $124.2 million was drawn at March 31, 2018. This loan was paid in full during the three months ended June 30, 2018, at which time any remaining commitment was extinguished.

Impact of AFS Securities on AOCI

The following table presents the impact of the Company's AFS securities on its AOCI for the three months ended March 31, 2019 and 2018:

(In Thousands)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
AOCI from AFS securities:		
Unrealized gain on AFS securities at beginning of period	$ 417,167	$ 620,648
Unrealized gain/(loss) on Agency MBS, net	9,315	(10,052)
Unrealized gain/(loss) on Non-Agency MBS, net	12,276	(27,724)
Unrealized gain on MSR term notes, net	512	236
Reclassification adjustment for MBS sales included in net income	(17,009)	(8,623)
Change in AOCI from AFS securities	5,094	(46,163)
Balance at end of period	$ 422,261	$ 574,485

Interest Income on Residential Mortgage Securities and MSR-Related Assets

The following table presents the components of interest income on the Company's residential mortgage securities and MSR- related assets for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
(In Thousands)	**2019**	**2018**
Agency MBS		
Coupon interest	$ 24,628	$ 20,958
Effective yield adjustment *(1)*	(6,187)	(5,665)
Interest income	$ 18,441	$ 15,293
Legacy Non-Agency MBS		
Coupon interest	$ 24,272	$ 28,835
Effective yield adjustment *(2)*	13,144	17,201
Interest income	$ 37,416	$ 46,036
RPL/NPL MBS		
Coupon interest	$ 16,443	$ 10,053
Effective yield adjustment *(1)(3)*	142	13
Interest income	$ 16,585	$ 10,066
CRT securities		
Coupon interest	$ 6,118	$ 8,374
Effective yield adjustment *(2)*	82	1,122
Interest income	$ 6,200	$ 9,496
MSR-related assets		
Coupon interest	$ 10,587	$ 7,517
Effective yield adjustment *(1)*	33	106
Interest income	$ 10,620	$ 7,623

(1) Includes amortization of premium paid net of accretion of purchase discount. For Agency MBS, RPL/NPL MBS and the corporate loan secured by MSRs, interest income is recorded at an effective yield, which reflects net premium amortization/accretion based on actual prepayment activity.

(2) The effective yield adjustment is the difference between the net income calculated using the net yield, which is based on management's estimates of the amount and timing of future cash flows, less the current coupon yield.

(3) Includes accretion income recognized due to the impact of redemptions of certain securities that had been previously been purchased at a discount of approximately $148,000 during the three months ended March 31, 2019.

4. Residential Whole Loans

Included on the Company's consolidated balance sheets at March 31, 2019 and December 31, 2018 are approximately $5.2 billion and $4.7 billion, respectively, of residential whole loans arising from the Company's interests in certain trusts established to acquire the loans and certain entities established in connection with its loan securitization transactions. The Company has assessed that these entities are required to be consolidated for financial reporting purposes.

Residential Whole Loans, at Carrying Value

The following table presents the components of the Company's Residential whole loans, at carrying value at March 31, 2019 and December 31, 2018:

(Dollars In Thousands)	March 31, 2019	December 31, 2018
Purchased Performing Loans:		
Non-QM loans	$ 1,886,024	$ 1,354,774
Rehabilitation loans	621,292	494,576
Single-family rental loans	227,537	145,327
Seasoned performing loans	215,352	224,051
Total Purchased Performing Loans	2,950,205	2,218,728
Purchased Credit Impaired Loans	773,941	797,987
Total Residential whole loans, at carrying value	$ 3,724,146	$ 3,016,715
Number of loans	12,643	11,149

The following table presents components of interest income on the Company's Residential whole loans, at carrying value for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
(In Thousands)	2019	2018
Purchased Performing Loans:		
Non-QM loans	$ 22,414	$ 1,708
Rehabilitation loans	9,933	1,345
Single-family rental loans	2,701	245
Seasoned performing loans	3,173	—
Total Purchased Performing Loans	38,221	3,298
Purchased Credit Impaired Loans	11,399	11,031
Total Residential whole loans, at carrying value	$ 49,620	$ 14,329

The following table presents additional information regarding the Company's Residential whole loans, at carrying value at March 31, 2019:

March 31, 2019

(Dollars In Thousands)	Carrying Value	Unpaid Principal Balance ("UPB")	Weighted Average Coupon *(1)*	Weighted Average Term to Maturity (Months)	Weighted Average LTV Ratio *(2)*	Aging by UPB			
							Past Due Days		
						Current	30-59	60-89	90+
Purchased Performing Loans:									
Non-QM loans	$ 1,886,024	$ 1,826,161	6.20%	363	66%	$1,782,675	$ 29,474	$ 5,745	$ 8,267
Rehabilitation loans *(3)*	621,792	621,792	7.38	9	65	560,270	36,386	8,805	16,331
Single-family rental loans	227,537	226,791	6.08	324	69	223,505	2,765	—	521
Seasoned performing loans	215,352	232,034	4.31	187	47	225,136	4,937	815	1,146
Purchased Credit Impaired Loans	773,941	969,353	4.42	300	85	N/A	N/A	N/A	N/A
Residential whole loans, at carrying value, total or weighted average	$ 3,724,646	$ 3,876,131	5.85%	278					

(1) Weighted average is calculated based on the interest bearing principal balance of each loan within the related category. For loans acquired with servicing rights released by the seller, interest rates included in the calculation do not reflect loan servicing fees. For loans acquired with servicing rights retained by the seller, interest rates included in the calculation are net of servicing fees.

(2) LTV represents the ratio of the total unpaid principal balance of the loan to the estimated value of the collateral securing the related loan as of the most recent date available, which may be the original date. For Rehabilitation loans, the LTV presented is the ratio of the maximum unpaid principal balance of the loan, including unfunded commitments, to the estimated "after repaired" value of the collateral securing the related loan, where available. For certain Rehabilitation loans, totaling $130.1 million, an after repaired valuation was not obtained and the loan was underwritten based on an "as is" valuation. The LTV of these loans based on the current unpaid principal balance and the valuation obtained during underwriting, is 67%. Excluded from the calculation of weighted average LTV are certain low value loans secured by vacant lots, for which the LTV ratio is not meaningful.

(3) Carrying value of Rehabilitation loans excludes an allowance for loan losses of $500,000 at March 31, 2019.

Purchased Performing Loans

As of March 31, 2019, there were 56 Purchased Performing Loans held at carrying value, that have been placed on non-accrual status as they are more than 90 days delinquent and had not yet become current with respect to the contractually required payments under the loan. Such loans have an unpaid balance of approximately $26.3 million. These non-accrual loans represent approximately 0.9% of the total outstanding principal balance of all of the Company's Purchased Performing Loans. As of March 31, 2019, the Company has established an allowance for loan losses of $500,000. For the three months ended March 31, 2019, a provision for loan losses of approximately $622,000 was recorded, which is included in Operating and Other expense on the Company's consolidated statements of operations. No provision for loan losses was recorded in the prior year period.

In connection with purchased Rehabilitation loans, the Company has unfunded commitments of $53.5 million.

Purchased Credit Impaired Loans

As of March 31, 2019 and 2018, the Company had established an allowance for loan losses of approximately $1.2 million and $380,000, respectively, on its Purchased Credit Impaired Loans held at carrying value. For the three months ended March 31, 2019 and 2018, a provision for loan losses of approximately $183,000 and $50,000 was recorded, respectively, which is included in Operating and Other expense on the Company's consolidated statements of operations.

The following table presents the activity in the Company's allowance for loan losses on its Purchased Credit Impaired Loans held at carrying value for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
(In Thousands)	**2019**	**2018**
Balance at the beginning of period	$ 968	$ 330
Provisions for loan losses	183	50
Balance at the end of period	$ 1,151	$ 380

The Company did not acquire any Purchased Credit Impaired Loans held at carrying value during the three months ended March 31, 2019, and 2018.

The following table presents accretable yield activity for the Company's Purchased Credit Impaired Loans held at carrying value for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
(In Thousands)	**2019**	**2018**
Balance at beginning of period	$ 415,330	$ 421,872
Additions	—	—
Accretion	(11,399)	(11,031)
Liquidations and other	(10,488)	(2,170)
Reclassifications from non-accretable difference, net	5,515	4,733
Balance at end of period	$ 398,958	$ 413,404

Accretable yield for Purchased Credit Impaired residential whole loans is the excess of loan cash flows expected to be collected over the purchase price. The cash flows expected to be collected represent the Company's estimate of the amount and timing of undiscounted principal and interest cash flows. Additions include accretable yield estimates for purchases made during the period and reclassification to accretable yield from non-accretable yield. Accretable yield is reduced by accretion during the period. The reclassifications between accretable and non-accretable yield and the accretion of interest income are based on changes in estimates regarding loan performance and the value of the underlying real estate securing the loans. In future periods, as the Company updates estimates of cash flows expected to be collected from the loans and the underlying collateral, the accretable yield may change. Therefore, the amount of accretable income recorded during the three months ended March 31, 2019 is not necessarily indicative of future results.

Residential Whole Loans, at Fair Value

Certain of the Company's residential whole loans are presented at fair value on its consolidated balance sheets as a result of a fair value election made at time of acquisition. Subsequent changes in fair value are reported in current period earnings and presented in Net gain on residential whole loans measured at fair value through earnings on the Company's consolidated statements of operations.

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The following table presents information regarding the Company's residential whole loans held at fair value at March 31, 2019 and December 31, 2018:

(Dollars in Thousands)	March 31, 2019	December 31, 2018
Less than 60 Days Past Due:		
Outstanding principal balance	$ 635,185	$ 610,290
Aggregate fair value	$ 583,447	$ 561,770
Weighted Average LTV Ratio *(1)*	76.09%	76.18%
Number of loans	3,070	2,898
60 Days to 89 Days Past Due:		
Outstanding principal balance	$ 69,032	$ 63,938
Aggregate fair value	$ 59,039	$ 54,947
Weighted Average LTV Ratio *(1)*	79.99%	82.86%
Number of loans	313	285
90 Days or More Past Due:		
Outstanding principal balance	$ 989,120	$ 970,758
Aggregate fair value	$ 869,851	$ 854,545
Weighted Average LTV Ratio *(1)*	88.56%	90.24%
Number of loans	3,795	3,531
Total Residential whole loans, at fair value	$ 1,512,337	$ 1,471,262

(1) LTV represents the ratio of the total unpaid principal balance of the loan, to the estimated value of the collateral securing the related loan. Excluded from the calculation of weighted average LTV are certain low value loans secured by vacant lots, for which the LTV ratio is not meaningful.

The following table presents the components of Net gain on residential whole loans measured at fair value through earnings for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
(In Thousands)	2019	2018
Coupon payments and other income received *(1)*	$ 19,473	$ 15,397
Net unrealized (losses)/gains	(1,060)	13,747
Net gain on payoff/liquidation of loans	2,283	2,908
Net gain on transfers to REO	4,571	6,446
Total	$ 25,267	$ 38,498

(1) Primarily includes recovery of delinquent interest upon the liquidation of non-performing loans, recurring coupon interest payments received on mortgage loans that are contractually current, and cash payments received from private mortgage insurance on liquidated loans.

5. Other Assets

The following table presents the components of the Company's Other assets at March 31, 2019 and December 31, 2018:

(In Thousands)	March 31, 2019	December 31, 2018
REO	$ 290,587	$ 249,413
MBS and loan related receivables	130,495	127,154
Other interest earning assets	66,101	92,022
Other	64,435	59,196
Total Other Assets	$ 551,618	$ 527,785

(a) Real Estate Owned

At March 31, 2019, the Company had 1,233 REO properties with an aggregate carrying value of $290.6 million. At December 31, 2018, the Company had 1,093 REO properties with an aggregate carrying value of $249.4 million.

At March 31, 2019, $283.1 million of residential real estate property was held by the Company that was acquired either through a completed foreclosure proceeding or from completion of a deed-in-lieu of foreclosure or similar legal agreement. In addition, formal foreclosure proceedings were in process with respect to $50.8 million of residential whole loans held at carrying value and $720.9 million of residential whole loans held at fair value at March 31, 2019.

The following table presents the activity in the Company's REO for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
(In Thousands)	2019	2018
Balance at beginning of period	$ 249,413	$ 152,356
Adjustments to record at lower of cost or fair value	(4,072)	(3,415)
Transfer from residential whole loans *(1)*	65,160	54,822
Purchases and capital improvements	5,923	2,678
Disposals *(2)*	(25,837)	(23,501)
Balance at end of period	$ 290,587	$ 182,940
Number of properties	1,233	845

(1) Includes net gain recorded on transfer of approximately $4.6 million and $6.4 million, for the three months ended March 31, 2019 and 2018, respectively.

(2) During the three months ended March 31, 2019 and 2018, the Company sold 137 and 168 REO properties for consideration of $27.8 million and $25.5 million, realizing net gains of approximately $1.4 million and $2.0 million, respectively. These amounts are included in Other Income, net on the Company's consolidated statements of operations.

(b) Derivative Instruments

The Company's derivative instruments are currently comprised of Swaps, the majority of which are designated as cash flow hedges against the interest rate risk associated with its borrowings. In addition, in connection with managing risks associated with purchases of longer duration Agency MBS, the Company has also entered into Swaps that are not designated as hedges for accounting purposes.

The following table presents the fair value of the Company's derivative instruments and their balance sheet location at March 31, 2019 and December 31, 2018:

			March 31, 2019		December 31, 2018	
Derivative Instrument *(1)*	**Designation**	**Balance Sheet Location**	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
(In Thousands)						
Swaps	Hedging	Other assets	$ 1,200,000	$ —	$ 1,900,000	$ —
Swaps	Hedging	Other liabilities	$ 1,322,000	$ —	$ 722,000	$ —
Swaps	Non-Hedging	Other liabilities	$ 465,000	$ —	$ 595,000	$ —

(1) Represents Swaps executed bilaterally with a counterparty in the over-the-counter market but then novated to a central clearing house, whereby the central clearing house becomes the counterparty to both of the original counterparties.

Swaps

The following table presents the assets pledged as collateral against the Company's Swap contracts at March 31, 2019 and December 31, 2018:

(In Thousands)	**March 31, 2019**	**December 31, 2018**
Agency MBS, at fair value	$ 2,675	$ 2,735
Restricted cash	34,377	30,068
Total assets pledged against Swaps	$ 37,052	$ 32,803

Swaps designated as hedges, or a portion thereof, could become ineffective in the future if the associated repurchase agreements that such derivatives hedge fail to exist or if expected payments under the Swaps fail to adequately offset expected payments under the repurchase agreements. At March 31, 2019, all of the Company's derivatives that were designated in a hedging relationship were deemed effective for hedging purposes.

The Company's Swaps designated as hedging transactions have the effect of modifying the repricing characteristics of the Company's repurchase agreements and cash flows for such liabilities. To date, no cost has been incurred at the inception of a Swap (except for certain transaction fees related to entering into Swaps cleared though a central clearing house), pursuant to which the Company agrees to pay a fixed rate of interest and receive a variable interest rate, generally based on one-month or three-month London Interbank Offered Rate ("LIBOR"), on the notional amount of the Swap. During the three months ended March 31, 2019, the Company de-designated and re-designated any Swaps previously designated as a hedge in order to benefit from the simplified assessment requirements under ASU 2017-12. This de-designation and re-designation had no net impact on the Company's financial condition or results of operations.

At March 31, 2019, the Company had Swaps with an aggregate notional amount of $3.0 billion and extended 26 months on average with a maximum term of approximately 114 months.

The following table presents information about the Company's Swaps at March 31, 2019 and December 31, 2018:

	March 31, 2019			December 31, 2018		
Maturity *(1)*	Notional Amount	Weighted Average Fixed-Pay Interest Rate	Weighted Average Variable Interest Rate *(2)*	Notional Amount	Weighted Average Fixed-Pay Interest Rate	Weighted Average Variable Interest Rate *(2)*
(Dollars in Thousands)						
Within 30 days	$ 100,000	1.71%	2.49%	$ —	—%	—%
Over 30 days to 3 months	—	—	—	100,000	1.71	2.50
Over 3 months to 6 months	—	—	—	100,000	1.71	2.50
Over 12 months to 24 months	1,730,000	2.26	2.50	1,630,000	2.27	2.50
Over 24 months to 36 months	700,000	2.62	2.57	800,000	2.57	2.64
Over 48 months to 60 months	417,000	2.88	2.61	417,000	2.88	2.63
Over 84 months	40,000	2.95	2.64	170,000	3.00	2.66
Total Swaps	$ 2,987,000	2.42%	2.53%	$ 3,217,000	2.42%	2.56%

(1) Each maturity category reflects contractual amortization and/or maturity of notional amounts.
(2) Reflects the benchmark variable rate due from the counterparty at the date presented, which rate adjusts monthly or quarterly based on one-month or three-month LIBOR, respectively.

The following table presents the net impact of the Company's derivative hedging instruments on its net interest expense and the weighted average interest rate paid and received for such Swaps for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
(Dollars in Thousands)	2019	2018
Interest income/(expense) attributable to Swaps	$ 1,191	$ (2,832)
Weighted average Swap rate paid	2.31%	2.04%
Weighted average Swap rate received	2.49%	1.60%

During the three months ended March 31, 2019, the Company recorded net losses on Swaps not designated in hedging relationships of $8.9 million, which included a $7.8 million loss realized on the unwind of certain Swaps. This amount is included in Other income, net on the Company's consolidated statements of operations. All of the Company's Swaps were designated in hedging relationships during the three months ended March 31, 2018.

Impact of Derivative Hedging Instruments on AOCI

The following table presents the impact of the Company's derivative hedging instruments on its AOCI for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
(In Thousands)	2019	2018
AOCI from derivative hedging instruments:		
Balance at beginning of period	$ 3,121	$ (11,424)
Net (loss)/gain on Swaps	(10,445)	19,669
Amortization of de-designated hedging instruments, net	(341)	—
Balance at end of period	$ (7,665)	$ 8,245

6. Repurchase Agreements

The Company's repurchase agreements are accounted for as secured borrowings and bear interest that is generally LIBOR-based. (See Notes 2(k) and 7) At March 31, 2019, the Company's borrowings under repurchase agreements had a weighted average remaining term-to-interest rate reset of 28 days and an effective repricing period of 5 months, including the impact of related Swaps. At December 31, 2018, the Company's borrowings under repurchase agreements had a weighted average remaining term-to-interest rate reset of 31 days and an effective repricing period of 8 months, including the impact of related Swaps.

The following table presents information with respect to the Company's borrowings under repurchase agreements and associated assets pledged as collateral at March 31, 2019 and December 31, 2018:

(Dollars in Thousands)	March 31, 2019	December 31, 2018
Repurchase agreement borrowings secured by Agency MBS	$ 2,353,173	$ 2,384,357
Fair value of Agency MBS pledged as collateral under repurchase agreements	$ 2,524,612	$ 2,572,597
Weighted average haircut on Agency MBS *(1)*	4.49%	4.60%
Repurchase agreement borrowings secured by Legacy Non-Agency MBS	$ 1,359,699	$ 1,447,585
Fair value of Legacy Non-Agency MBS pledged as collateral under repurchase agreements	$ 1,782,770	$ 1,871,650
Weighted average haircut on Legacy Non-Agency MBS *(1)*	20.50%	21.38%
Repurchase agreement borrowings secured by RPL/NPL MBS	$ 1,009,331	$ 1,084,532
Fair value of RPL/NPL MBS pledged as collateral under repurchase agreements	$ 1,285,524	$ 1,377,250
Weighted average haircut on RPL/NPL MBS *(1)*	21.23%	21.31%
Repurchase agreements secured by CRT securities	$ 338,827	$ 391,586
Fair value of CRT securities pledged as collateral under repurchase agreements	$ 419,877	$ 480,315
Weighted average haircut on CRT securities *(1)*	19.49%	20.01%
Repurchase agreements secured by residential whole loans *(2)*	$ 2,746,804	$ 2,020,508
Fair value of residential whole loans pledged as collateral under repurchase agreements *(3)(4)*	$ 3,321,187	$ 2,441,931
Weighted average haircut on residential whole loans *(1)*	15.54%	16.55%
Repurchase agreements secured by MSR-related assets	$ 647,535	$ 474,127
Fair value of MSR-related assets pledged as collateral under repurchase agreements	$ 825,363	$ 611,807
Weighted average haircut on MSR-related assets *(1)*	21.35%	21.88%
Repurchase agreements secured by other interest-earning assets	$ 54,386	$ 76,419
Fair value of other interest-earning assets pledged as collateral under repurchase agreements	$ 49,373	$ 81,494
Weighted average haircut on other interest-earning assets *(1)*	21.61%	21.15%

(1) Haircut represents the percentage amount by which the collateral value is contractually required to exceed the loan amount.

(2) Excludes $42,000 and $27,000 of unamortized debt issuance costs at March 31, 2019 and December 31, 2018, respectively.

(3) At March 31, 2019 and December 31, 2018, includes Non-Agency MBS with an aggregate fair value of $27.0 million and $27.0 million, respectively, obtained in connection with the Company's loan securitization transactions that are eliminated in consolidation.

(4) At March 31, 2019 and December 31, 2018, includes residential whole loans held at carrying value with an aggregate fair value of $2.5 billion and $1.7 billion and aggregate amortized cost of $2.4 billion and $1.6 billion, respectively and residential whole loans held at fair value with an aggregate fair value and amortized cost of $822.2 million and $738.6 million, respectively.

In addition, the Company had cash pledged as collateral in connection with its repurchase agreements of $7.6 million and $6.7 million at March 31, 2019 and December 31, 2018, respectively.

The following table presents repricing information about the Company's borrowings under repurchase agreements, which does not reflect the impact of associated derivative hedging instruments, at March 31, 2019 and December 31, 2018:

	March 31, 2019		December 31, 2018	
Time Until Interest Rate Reset	**Balance**	**Weighted Average Interest Rate**	**Balance**	**Weighted Average Interest Rate**
(Dollars in Thousands)				
Within 30 days	$ 7,265,257	3.51%	$ 6,747,166	3.35%
Over 30 days to 3 months	669,143	2.97	368,857	3.10
Over 3 months to 12 months	575,355	4.18	763,091	4.18
Total repurchase agreements	8,509,755	3.52%	7,879,114	3.42%
Less debt issuance costs	42		27	
Total repurchase agreements less debt issuance costs	$ 8,509,713		$ 7,879,087	

The following table presents contractual maturity information about the Company's borrowings under repurchase agreements, all of which are accounted for as secured borrowings, at March 31, 2019, and does not reflect the impact of derivative contracts that hedge such repurchase agreements:

	March 31, 2019					
Contractual Maturity	**Overnight**	**Within 30 Days**	**Over 30 Days to 3 Months**	**Over 3 Months to 12 Months**	**Over 12 months**	**Total**
(Dollars in Thousands)						
Agency MBS	$ —	$ 1,929,331	$ 423,842	$ —	$ —	$ 2,353,173
Legacy Non-Agency MBS	—	1,316,983	42,716	—	—	1,359,699
RPL/NPL MBS	—	964,103	45,228	—	—	1,009,331
CRT securities	—	314,095	24,732	—	—	338,827
Residential whole loans	—	2,219,985	—	526,819	—	2,746,804
MSR-related assets	—	461,083	132,625	53,827	—	647,535
Other	—	5,850	—	48,536	—	54,386
Total *(1)*	$ —	$ 7,211,430	$ 669,143	$ 629,182	$ —	$ 8,509,755
Weighted Average Interest Rate	—%	3.51%	2.97%	4.18%	—%	3.52%

(1) Excludes $42,000 of unamortized debt issuance costs at March 31, 2019.

Undrawn Financing Commitment

In connection with the financing of MSR-related assets, the Company has obtained a financing commitment of up to $75.0 million, of which $53.8 million was utilized and was outstanding as of March 31, 2019. The Company pays a commitment fee ranging from 0.125% to 0.5% of the undrawn amount, depending on the amount of financing utilized.

The Company had repurchase agreement borrowings with 26 counterparties at both March 31, 2019 and December 31, 2018, respectively. The following table presents information with respect to each counterparty under repurchase agreements for which the Company had greater than 5% of stockholders' equity at risk in the aggregate at March 31, 2019:

	March 31, 2019			
Counterparty	Counterparty Rating *(1)*	Amount at Risk *(2)*	Weighted Average Months to Maturity for Repurchase Agreements	Percent of Stockholders' Equity
(Dollars in Thousands)				
Goldman Sachs *(3)*	BBB+/A3/A	$ 319,478	1	9.4%
RBC *(4)*	AA-/Aa2/AA	232,698	1	6.8
Wells Fargo *(5)*	A+/Aa2/AA-	208,655	0	6.1
Barclay's Bank	BBB/Aa3/A	197,793	2	5.8
Credit Suisse	BBB+/Baa2/A-	180,963	1	5.3

(1) As rated at March 31, 2019 by S&P, Moody's and Fitch, Inc., respectively. The counterparty rating presented is the lowest published for these entities.

(2) The amount at risk reflects the difference between (a) the amount loaned to the Company through repurchase agreements, including interest payable, and (b) the cash and the fair value of the securities pledged by the Company as collateral, including accrued interest receivable on such securities.

(3) Includes $187.4 million at risk with Goldman Sachs Bank USA and $132.1 million at risk with Goldman Sachs Lending Partners.

(4) Includes $229.5 million at risk with RBC Barbados and $3.2 million at risk with RBC New York. Counterparty ratings are not published for RBC Barbados and RBS Capital Market LLC.

(5) Includes $208.7 million at risk with Wells Fargo Bank, NA and approximately $1,000 at risk with Wells Fargo Securities LLC.

7. Collateral Positions

The Company pledges securities or cash as collateral to its counterparties pursuant to its borrowings under repurchase agreements and for initial margin payments on centrally cleared Swaps. In addition, the Company receives securities or cash as collateral pursuant to financing provided under reverse repurchase agreements. The Company exchanges collateral with its counterparties based on changes in the fair value, notional amount and term of the associated repurchase agreements and Swap contracts, as applicable. In connection with these margining practices, either the Company or its counterparty may be required to pledge cash or securities as collateral. When the Company's pledged collateral exceeds the required margin, the Company may initiate a reverse margin call, at which time the counterparty may either return the excess collateral or provide collateral to the Company in the form of cash or equivalent securities.

The Company's assets pledged as collateral are described in Notes 2(f) - Restricted Cash, 5(b) - Derivative Instruments and 6 - Repurchase Agreements. The total fair value of assets pledged as collateral with respect to the Company's borrowings under repurchase agreements and derivative hedging instruments was $10.3 billion and $9.5 billion at March 31, 2019 and December 31, 2018, respectively. An aggregate of $41.3 million and $33.1 million of accrued interest on those assets had also been pledged as of March 31, 2019 and December 31, 2018, respectively.

8. Offsetting Assets and Liabilities

Certain of the Company’s repurchase agreement and derivative transactions are governed by underlying agreements that generally provide for a right of setoff in the event of default or in the event of a bankruptcy of either party to the transaction. In the Company’s consolidated balance sheets, all balances associated with repurchase agreements are presented on a gross basis.

The fair value of financial instruments pledged against the Company’s repurchase agreements was $10.2 billion and $9.4 billion at March 31, 2019 and December 31, 2018, respectively. Beginning in January 2017, variation margin payments on the Company’s cleared Swaps are treated as a legal settlement of the exposure under the Swap contract. Previously such payments were treated as collateral pledged against the exposure under the Swap contract. The effect of this change is to reduce what would have otherwise been reported as fair value of the Swap. The fair value of financial instruments pledged against the Company’s Swaps was $2.7 million at both March 31, 2019 and December 31, 2018, respectively. In addition, cash that has been pledged as collateral against repurchase agreements and Swaps is reported as Restricted cash on the Company’s consolidated balance sheets. (See Notes 2(f), 5(b) and 6)

9. Other Liabilities

The following table presents the components of the Company’s Other liabilities at March 31, 2019 and December 31, 2018:

(In Thousands)	March 31, 2019	December 31, 2018
Securitized debt *(1)*	$ 659,184	$ 684,420
Senior Notes	96,827	96,816
Dividends and dividend equivalents payable	90,353	90,198
Accrued interest payable	16,951	16,280
Payable for unsettled residential whole loans purchases	—	211,129
Accrued expenses and other	24,054	26,296
Total Other Liabilities	$ 887,369	$ 1,125,139

(1) Securitized debt represents third-party liabilities of consolidated VIEs and excludes liabilities of the VIEs acquired by the Company that are eliminated in consolidation. The third-party beneficial interest holders in the VIEs have no recourse to the general credit of the Company. (See Notes 10 and 15 for further discussion.)

Senior Notes

On April 11, 2012, the Company issued $100.0 million in aggregate principal amount of its Senior Notes in an underwritten public offering. The total net proceeds to the Company from the offering of the Senior Notes were approximately $96.6 million, after deducting offering expenses and the underwriting discount. The Senior Notes bear interest at a fixed rate of 8.00% per year, paid quarterly in arrears on January 15, April 15, July 15 and October 15 of each year and will mature on April 15, 2042. The Senior Notes have an effective interest rate, including the impact of amortization to interest expense of debt issuance costs, of 8.31%. The Company may redeem the Senior Notes, in whole or in part, at any time, at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to, but not excluding, the redemption date.

The Senior Notes are the Company’s senior unsecured obligations and are subordinate to all of the Company’s secured indebtedness, which includes the Company’s repurchase agreements and other financing arrangements, to the extent of the value of the collateral securing such indebtedness.

10. Commitments and Contingencies

(a) Lease Commitments

The Company pays monthly rent pursuant to two office leases. In November 2018, the Company amended the lease for its corporate headquarters in New York, New York, under the same terms and conditions, to extend the expiration date for the lease by up to one year, through June 30, 2021, with a mutual option to terminate in February 2021. For the three months ended March 31, 2019, the Company recorded expense of approximately $622,000 in connection with the lease for its current corporate headquarters.

In addition, in November 2018, the Company executed a lease agreement on new office space in New York, New York. The Company plans to relocate its corporate headquarters to this new office space upon the substantial completion of the building. The lease term specified in the agreement is fifteen years with an option to renew for an additional five years. The Company's current estimate of annual lease rental expense under the new lease, excluding escalation charges which at this point are unknown, is approximately $4.6 million. The Company currently expects to relocate to the space in the fourth quarter of 2020, but this timing as well as when it is required to begin making payments and recognize rental and other expenses under the new lease, is dependent on when the space is actually available for use.

(b) Representations and Warranties in Connection with Loan Securitization Transactions

In connection with the loan securitization transactions entered into by the Company, the Company has the obligation under certain circumstances to repurchase assets previously transferred to securitization vehicles upon breach of certain representations and warranties. As of March 31, 2019, the Company had no reserve established for repurchases of loans and was not aware of any material unsettled repurchase claims that would require the establishment of such a reserve. (See Note 15)

(c) Corporate Loan

The Company has participated in a loan to provide financing to an entity that originates loans and owns MSRs, as well as certain other unencumbered assets owned by the borrower. Under the terms of the participation agreement, the Company has committed to lend $100.0 million of which approximately $71.8 million was drawn at March 31, 2019. (See Note 3)

(d) Rehabilitation Loan Commitments

At March 31, 2019, the Company had unfunded commitments of $53.5 million in connection with its purchased Rehabilitation loans. (See Note 4)

11. Stockholders' Equity

(a) Preferred Stock

On April 15, 2013, the Company completed the issuance of 8.0 million shares of its 7.50% Series B Cumulative Redeemable Preferred Stock ("Series B Preferred Stock") with a par value of $0.01 per share, and a liquidation preference of $25.00 per share plus accrued and unpaid dividends, in an underwritten public offering. The Company's Series B Preferred Stock is entitled to receive a dividend at a rate of 7.50% per year on the $25.00 liquidation preference before the Company's common stock is paid any dividends and is senior to the Company's common stock with respect to distributions upon liquidation, dissolution or winding up. Dividends on the Series B Preferred Stock are payable quarterly in arrears on or about March 31, June 30, September 30 and December 31 of each year. The Series B Preferred Stock is redeemable at $25.00 per share plus accrued and unpaid dividends (whether or not authorized or declared) exclusively at the Company's option.

The Series B Preferred Stock generally does not have any voting rights, subject to an exception in the event the Company fails to pay dividends on such stock for six or more quarterly periods (whether or not consecutive). Under such circumstances, the Series B Preferred Stock will be entitled to vote to elect two additional directors to the Company's Board of Directors (the "Board"), until all unpaid dividends have been paid or declared and set apart for payment. In addition, certain material and adverse changes to the terms of the Series B Preferred Stock cannot be made without the affirmative vote of holders of at least 66 2/3% of the outstanding shares of Series B Preferred Stock.

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The following table presents cash dividends declared by the Company on its Series B Preferred Stock from January 1, 2019 through March 31, 2019:

Declaration Date	Record Date	Payment Date	Dividend Per Share
February 15, 2019	March 3, 2019	March 29, 2019	$ 0.46875

(b) Dividends on Common Stock

The following table presents cash dividends declared by the Company on its common stock from January 1, 2019 through March 31, 2019:

Declaration Date *(1)*	Record Date	Payment Date	Dividend Per Share
March 6, 2019	March 29, 2019	April 30, 2019	$ 0.20 *(1)*

(1) At March 31, 2019, the Company had accrued dividends and dividend equivalents payable of $90.4 million related to the common stock dividend declared on March 6, 2019.

(c) Public Offering of Common Stock

The table below presents information with respect to shares of the Company's common stock issued through public offerings during the year ended December 31, 2018:

Share Issue Date	Shares Issued	Gross Proceeds Per Share	Gross Proceeds
(In Thousands, Except Per Share Amounts)			
August 7, 2018	50,875 *(1)*	$7.78	$395,807 *(1)*

(1) Includes approximately 875,000 shares issued on September 5, 2018 pursuant to the exercise of the underwriters' option to purchase additional shares. The Company incurred approximately $6.4 million of underwriting discounts and related expenses in connection with this equity offering.

(d) Discount Waiver, Direct Stock Purchase and Dividend Reinvestment Plan ("DRSPP")

On September 16, 2016, the Company filed a shelf registration statement on Form S-3 with the SEC under the Securities Act of 1933, as amended (the "1933 Act"), for the purpose of registering additional common stock for sale through its DRSPP. Pursuant to Rule 462(e) of the 1933 Act, this shelf registration statement became effective automatically upon filing with the SEC and, when combined with the unused portion of the Company's previous DRSPP shelf registration statements, registered an aggregate of 15 million shares of common stock. The Company's DRSPP is designed to provide existing stockholders and new investors with a convenient and economical way to purchase shares of common stock through the automatic reinvestment of dividends and/or optional cash investments. At March 31, 2019, approximately 11.7 million shares of common stock remained available for issuance pursuant to the DRSPP shelf registration statement.

During the three months ended March 31, 2019, the Company issued 74,463 shares of common stock through the DRSPP, raising net proceeds of approximately $545,000. From the inception of the DRSPP in September 2003 through March 31, 2019, the Company issued 34,130,343 shares pursuant to the DRSPP, raising net proceeds of $284.7 million.

(e) Stock Repurchase Program

As previously disclosed, in August 2005, the Company's Board authorized a stock repurchase program (the "Repurchase Program") to repurchase up to 4.0 million shares of its outstanding common stock. The Board reaffirmed such authorization in May 2010. In December 2013, the Board increased the number of shares authorized under the Repurchase Program to an aggregate of 10.0 million. Such authorization does not have an expiration date and, at present, there is no intention to modify or otherwise rescind such authorization. Subject to applicable securities laws, repurchases of common stock under the Repurchase Program are made at times and in amounts as the Company deems appropriate, (including, in our discretion, through the use of one or more plans adopted under Rule 10b5-1 promulgated under the Securities Exchange Act of 1934, as amended (the "1934 Act")) using available cash resources. Shares of common stock repurchased by the Company under the Repurchase Program are cancelled and, until reissued by the Company, are deemed to be authorized but unissued shares of the Company's common stock. The Repurchase Program may be suspended or discontinued by the Company at any time and without prior notice. The Company did not repurchase any shares of its common stock during the three months ended March 31, 2019. At March 31, 2019, 6,616,355 shares remained authorized for repurchase under the Repurchase Program.

(f) Accumulated Other Comprehensive Income/(Loss)

The following table presents changes in the balances of each component of the Company's AOCI for the three months ended March 31, 2019:

	Three Months Ended March 31, 2019		
(In Thousands)	**Net Unrealized Gain/(Loss) on AFS Securities**	**Net Gain/(Loss) on Swaps**	**Total AOCI**
Balance at beginning of period	$ 417,167	$ 3,121	$ 420,288
OCI before reclassifications	22,103	(10,445)	11,658
Amounts reclassified from AOCI *(1)*	(17,009)	(341)	(17,350)
Net OCI during the period *(2)*	5,094	(10,786)	(5,692)
Balance at end of period	$ 422,261	$ (7,665)	$ 414,596

(1) See separate table below for details about these reclassifications.
(2) For further information regarding changes in OCI, see the Company's consolidated statements of comprehensive income/(loss).

The following table presents changes in the balances of each component of the Company's AOCI for the three months ended March 31, 2018:

	Three Months Ended March 31, 2018		
(In Thousands)	**Net Unrealized Gain/(Loss) on AFS Securities**	**Net Gain/(Loss) on Swaps**	**Total AOCI**
Balance at beginning of period	$ 620,648	$ (11,424)	$ 609,224
OCI before reclassifications	(37,540)	19,669	(17,871)
Amounts reclassified from AOCI *(1)*	(8,623)	—	(8,623)
Net OCI during the period *(2)*	(46,163)	19,669	(26,494)
Balance at end of period	$ 574,485	$ 8,245	$ 582,730

(1) See separate table below for details about these reclassifications.
(2) For further information regarding changes in OCI, see the Company's consolidated statements of comprehensive income/(loss).

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The following table presents information about the significant amounts reclassified out of the Company's AOCI for the three months ended March 31, 2019:

Details about AOCI Components	Three Months Ended March 31, 2019 Amounts Reclassified from AOCI	Affected Line Item in the Statement Where Net Income is Presented
(In Thousands)		
AFS Securities:		
Realized gain on sale of securities	$ (17,009)	Net realized gain on sales of residential mortgage securities
Total AFS Securities	$ (17,009)	
Swaps designated as cash flow hedges:		
Amortization of de-designated hedging instruments	(341)	Other, net
Total Swaps designated as cash flow hedges	$ (341)	
Total reclassifications for period	$ (17,350)	

The following table presents information about the significant amounts reclassified out of the Company's AOCI for the three months ended March 31, 2018:

Details about AOCI Components	Three Months Ended March 31, 2018 Amounts Reclassified from AOCI	Affected Line Item in the Statement Where Net Income is Presented
(In Thousands)		
AFS Securities:		
Realized gain on sale of securities	(8,623)	Net realized gain on sales of residential mortgage securities
Total AFS Securities	$ (8,623)	
Total reclassifications for period	$ (8,623)	

On securities for which OTTI had been recognized in prior periods, the Company did not have any unrealized losses recorded in AOCI at March 31, 2019 and had $224,000 unrealized losses recorded in AOCI at December 31, 2018.

12. EPS Calculation

The following table presents a reconciliation of the earnings and shares used in calculating basic and diluted EPS for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
(In Thousands, Except Per Share Amounts)	**2019**	**2018**
Numerator:		
Net income	$ 88,857	$ 83,395
Dividends declared on preferred stock	(3,750)	(3,750)
Dividends, dividend equivalents and undistributed earnings allocated to participating securities	(256)	(219)
Net income to common stockholders - basic and diluted	$ 84,851	$ 79,426
Denominator:		
Weighted average common shares for basic and diluted earnings per share *(1)*	450,358	398,317
Basic and diluted earnings per share	$ 0.19	$ 0.20

(1) At March 31, 2019, the Company had approximately 2.4 million equity instruments outstanding that were not included in the calculation of diluted EPS for the three months ended March 31, 2019, as their inclusion would have been anti-dilutive. These equity instruments reflect RSUs (based on current estimate of expected share settlement amount) with a weighted average grant date fair value of $7.49. These equity instruments may have a dilutive impact on future EPS.

13. Equity Compensation, Employment Agreements and Other Benefit Plans

(a) Equity Compensation Plan

In accordance with the terms of the Company's Equity Plan, which was adopted by the Company's stockholders on May 21, 2015 (and which amended and restated the Company's 2010 Equity Compensation Plan), directors, officers and employees of the Company and any of its subsidiaries and other persons expected to provide significant services for the Company and any of its subsidiaries are eligible to receive grants of stock options ("Options"), restricted stock, RSUs, dividend equivalent rights and other stock-based awards under the Equity Plan.

Subject to certain exceptions, stock-based awards relating to a maximum of 12.0 million shares of common stock may be granted under the Equity Plan; forfeitures and/or awards that expire unexercised do not count towards this limit. At March 31, 2019, approximately 4.0 million shares of common stock remained available for grant in connection with stock-based awards under the Equity Plan. A participant may generally not receive stock-based awards in excess of 1.5 million shares of common stock in any one year and no award may be granted to any person who, assuming exercise of all Options and payment of all awards held by such person, would own or be deemed to own more than 9.8% of the outstanding shares of the Company's common stock. Unless previously terminated by the Board, awards may be granted under the Equity Plan until May 20, 2025.

Restricted Stock Units

Under the terms of the Equity Plan, RSUs are instruments that provide the holder with the right to receive, subject to the satisfaction of conditions set by the Compensation Committee at the time of grant, a payment of a specified value, which may be a share of the Company's common stock, the fair market value of a share of the Company's common stock, or such fair market value to the extent in excess of an established base value, on the applicable settlement date. Although the Equity Plan permits the Company to issue RSUs that can settle in cash, all of the Company's outstanding RSUs as of March 31, 2019 are designated to be settled in shares of the Company's common stock. The Company granted 752,500 and 692,500 RSUs during the three months ended March 31, 2019 and 2018, respectively. There were 20,000 RSUs forfeited during each of the three months ended March 31, 2019 and March 31, 2018. All RSUs outstanding at March 31, 2019 may be entitled to receive dividend equivalent payments depending on the terms and conditions of the award either in cash at the time dividends are paid by the Company, or for certain performance-based RSU awards, as a grant of stock at the time such awards are settled. At March 31, 2019 and December 31, 2018, the Company had unrecognized compensation expense of $9.3 million and $5.2 million, respectively, related to RSUs. The unrecognized compensation expense at March 31, 2019 is expected to be recognized over a weighted average period of 2.2 years.

Restricted Stock

The Company did not award any shares of restricted common stock during the three months ended March 31, 2019 and 2018. At March 31, 2019, the Company did not have any unvested shares of restricted common stock outstanding.

Dividend Equivalents

A dividend equivalent is a right to receive a distribution equal to the dividend distributions that would be paid on a share of the Company's common stock. Dividend equivalents may be granted as a separate instrument or may be a right associated with the grant of another award (e.g., an RSU) under the Equity Plan, and they are paid in cash or other consideration at such times and in accordance with such rules, as the Compensation Committee of the Board shall determine in its discretion. Payments made on the Company's outstanding dividend equivalent rights are generally charged to Stockholders' Equity when common stock dividends are declared to the extent that such equivalents are expected to vest. The Company did not make any payments in respect of such instruments during the three months ended March 31, 2019 and 2018.
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Expense Recognized for Equity-Based Compensation Instruments

The following table presents the Company's expenses related to its equity-based compensation instruments for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
(In Thousands)	**2019**	**2018**
RSUs	$ 998	$ 553
Total	$ 998	$ 553

(b) Employment Agreements

At March 31, 2019, the Company had employment agreements with four of its officers, with varying terms that provide for, among other things, base salary, bonus and change-in-control payments upon the occurrence of certain triggering events.

(c) Deferred Compensation Plans

The Company administers deferred compensation plans for its senior officers and non-employee directors (collectively, the "Deferred Plans"), pursuant to which participants may elect to defer up to 100% of certain cash compensation. The Deferred Plans are designed to align participants' interests with those of the Company's stockholders.

Amounts deferred under the Deferred Plans are considered to be converted into "stock units" of the Company. Stock units do not represent stock of the Company, but rather are a liability of the Company that changes in value as would equivalent shares of the Company's common stock. Deferred compensation liabilities are settled in cash at the termination of the deferral period, based on the value of the stock units at that time. The Deferred Plans are non-qualified plans under the Employee Retirement Income Security Act of 1974 and, as such, are not funded. Prior to the time that the deferred accounts are settled, participants are unsecured creditors of the Company.

The Company's liability for stock units in the Deferred Plans is based on the market price of the Company's common stock at the measurement date. The following table presents the Company's expenses related to its Deferred Plans for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
(In Thousands)	**2019**	**2018**
Non-employee directors	$ 286	$ (49)
Total	$ 286	$ (49)

The following table presents the aggregate amount of income deferred by participants of the Deferred Plans through March 31, 2019 and December 31, 2018 that had not been distributed and the Company's associated liability for such deferrals at March 31, 2019 and December 31, 2018:

	March 31, 2019		December 31, 2018	
(In Thousands)	**Undistributed Income Deferred *(1)***	**Liability Under Deferred Plans**	**Undistributed Income Deferred *(1)***	**Liability Under Deferred Plans**
Non-employee directors	$ 2,311	$ 2,705	$ 2,263	$ 2,417
Total	$ 2,311	$ 2,705	$ 2,263	$ 2,417

(1) Represents the cumulative amounts that were deferred by participants through March 31, 2019 and December 31, 2018, which had not been distributed through such respective date.

(d) Savings Plan

The Company sponsors a tax-qualified employee savings plan (the "Savings Plan") in accordance with Section 401(k) of the Code. Subject to certain restrictions, all of the Company's employees are eligible to make tax-deferred contributions to the Savings Plan subject to limitations under applicable law. Participant's accounts are self-directed and the Company bears the costs of administering the Savings Plan. The Company matches 100% of the first 3% of eligible compensation deferred by employees and 50% of the next 2%, subject to a maximum as provided by the Code. The Company has elected to operate the Savings Plan under the applicable safe harbor provisions of the Code, whereby among other things, the Company must make contributions for all participating employees and all matches contributed by the Company immediately vest 100%. For each of the three months ended March 31, 2019 and 2018, the Company recognized expenses for matching contributions of $104,000.

14. Fair Value of Financial Instruments

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

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

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

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Residential Mortgage Securities

The Company determines the fair value of its Agency MBS based upon prices obtained from third-party pricing services, which are indicative of market activity, and repurchase agreement counterparties.

For Agency MBS, the valuation methodology of the Company's third-party pricing services incorporate commonly used market pricing methods, trading activity observed in the marketplace and other data inputs. The methodology also considers the underlying characteristics of each security, which are also observable inputs, including: collateral vintage, coupon, maturity date, loan age, reset date, collateral type, periodic and life cap, geography, and prepayment speeds. Management analyzes pricing data received from third-party pricing services and compares it to other indications of fair value including data received from repurchase agreement counterparties and its own observations of trading activity observed in the marketplace.

In determining the fair value of the Company's Non-Agency MBS and CRT securities, management considers a number of observable market data points, including prices obtained from pricing services and brokers as well as dialogue with market participants. In valuing Non-Agency MBS, the Company understands that pricing services use observable inputs that include, in addition to trading activity observed in the marketplace, loan delinquency data, credit enhancement levels and vintage, which are taken into account to assign pricing factors such as spread and prepayment assumptions. For tranches of Legacy Non-Agency MBS that are cross-collateralized, performance of all collateral groups involved in the tranche are considered. The Company collects and considers current market intelligence on all major markets, including benchmark security evaluations and bid-lists from various sources, when available.

The Company's Legacy Non-Agency MBS, RPL/NPL MBS and CRT securities are valued using various market data points as described above, which management considers directly or indirectly observable parameters. Accordingly, these securities are classified as Level 2 in the fair value hierarchy.

Residential Whole Loans, at Fair Value

The Company determines the fair value of its residential whole loans held at fair value after considering valuations obtained from a third-party that specializes in providing valuations of residential mortgage loans. The valuation approach applied generally depends on whether the loan is considered performing or non-performing at the date the valuation is performed. For performing loans, estimates of fair value are derived using a discounted cash flow approach, where estimates of cash flows are determined from the scheduled payments, adjusted using forecasted prepayment, default and loss given default rates. For non-performing loans, asset liquidation cash flows are derived based on the estimated time to liquidate the loan, expected costs and home price appreciation. Estimated cash flows for both performing and non-performing loans are discounted at yields considered appropriate to arrive at a reasonable exit price for the asset. Indications of loan value such as actual trades, bids, offers and generic market color may be used in determining the appropriate discount yield. The Company's residential whole loans held at fair value are classified as Level 3 in the fair value hierarchy.

Term Notes Backed by MSR-Related Collateral

The Company's valuation process for term notes backed by MSR-related collateral considers a number of factors, including obtaining market quotes from a third-party pricing service. This indicative market value is further reviewed by the Company and may be adjusted to ensure it reflects a realistic exit price at the valuation date given the structural features of these securities. Other factors taken into consideration include indicative values provided by repurchase agreement counterparties, estimated changes in fair value of the related underlying MSR collateral and, as applicable, the financial performance of the ultimate parent or sponsoring entity of the issuer, which has provided a guarantee that is intended to provide for payment of interest and principal to the holders of the term notes should cash flows generated by the related underlying MSR collateral be insufficient. As this process includes significant unobservable inputs, due to the relative illiquidity of the market, these securities are classified as Level 3 in the fair value hierarchy.

Swaps

All of the Company's Swaps are cleared by a central clearing house. Valuations provided by the clearing house are used for purposes of determining the fair value of the Company's Swaps. Such valuations obtained are tested with internally developed models that apply readily observable market parameters. As the Company's Swaps are subject to the clearing house's margin requirements, no credit valuation adjustment was considered necessary in determining the fair value of such instruments. Beginning in January 2017, variation margin payments on the Company's cleared Swaps are treated as a legal settlement of the exposure under the Swap contract. Previously such payments were treated as collateral pledged against the exposure under the Swap contract. The effect of this change is to reduce what would have otherwise been reported as the fair value of the Swap. Swaps are classified as Level 2 in the fair value hierarchy.

Changes to the valuation methodologies used with respect to the Company's financial instruments are reviewed by management to ensure any such changes result in appropriate exit price valuations. The Company will refine its valuation methodologies as markets and products develop and pricing methodologies evolve. The methods described above may produce fair value estimates that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with those used by market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The Company uses inputs that are current as of the measurement date, which may include periods of market dislocation, during which price transparency may be reduced. The Company reviews the classification of its financial instruments within the fair value hierarchy on a quarterly basis, and management may conclude that its financial instruments should be reclassified to a different level in the future.

The following tables present the Company's financial instruments carried at fair value on a recurring basis as of March 31, 2019 and December 31, 2018, on the consolidated balance sheets by the valuation hierarchy, as previously described:

Fair Value at March 31, 2019

(In Thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Agency MBS	$ —	$ 2,546,597	$ —	$ 2,546,597
Non-Agency MBS	—	3,099,272	—	3,099,272
CRT securities	—	423,702	—	423,702
Residential whole loans, at fair value	—	—	1,512,337	1,512,337
Term notes backed by MSR-related collateral	—	—	753,594	753,594
Total assets carried at fair value	$ —	$ 6,069,571	$ 2,265,931	$ 8,335,502

Fair Value at December 31, 2018

(In Thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Agency MBS	$ —	$ 2,698,213	$ —	$ 2,698,213
Non-Agency MBS	—	3,318,299	—	3,318,299
CRT securities	—	492,821	—	492,821
Residential whole loans, at fair value	—	—	1,665,978	1,665,978
Term notes backed by MSR-related collateral	—	—	538,499	538,499
Total assets carried at fair value	$ —	$ 6,509,333	$ 2,204,477	$ 8,713,810

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Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis

The following table presents additional information for the three months ended March 31, 2019 and 2018 about the Company's Residential whole loans, at fair value, which are classified as Level 3 and measured at fair value on a recurring basis:

	Residential Whole Loans, at Fair Value	
	Three Months Ended March 31,	
(In Thousands)	2019	2018
Balance at beginning of period	$ 1,471,263	$ 1,325,115
Purchases and capitalized advances *(1)*	130,089	311,125
Changes in fair value recorded in Net gain on residential whole loans measured at fair value through earnings	(1,060)	13,747
Collection of principal, net of liquidation gains/losses	(31,751)	(46,683)
Repurchases	(318)	(194)
Transfer to REO	(55,886)	(47,490)
Balance at end of period	$ 1,512,337	$ 1,555,620

(1) Included in the activity presented for the three months ended March 31, 2019 is an adjustment of $70.6 million for loans the Company committed to purchase during the three months ended December 31, 2018, but for which the closing of the purchase transaction occurred during the three months ended March 31, 2019. The adjustment was required following the finalization of due diligence performed prior to the closing of the purchase transaction and resulted in a downward revision to the prior estimate of the loan purchase amount.

The following table presents additional information for the three months ended March 31, 2019 and 2018 about the Company's investments in term notes backed by MSR-related collateral held at fair value, which are classified as Level 3 and measured at fair value on a recurring basis:

	Term Notes Backed by MSR Related Collateral	
	Three Months Ended March 31,	
(In Thousands)	2019	2018
Balance at beginning of period	$ 538,499	$ 381,804
Purchases	219,166	100,000
Collection of principal	(4,584)	(150,000)
Changes in unrealized gain/losses	513	236
Balance at end of period	$ 753,594	$ 332,040

The Company did not transfer any assets or liabilities from one level to another during the three months ended March 31, 2019 and 2018.

Fair Value Methodology for Level 3 Financial Instruments

Residential Whole Loans, at Fair Value

The following tables present a summary of quantitative information about the significant unobservable inputs used in the fair value measurement of the Company's residential whole loans held at fair value for which it has utilized Level 3 inputs to determine fair value as of March 31, 2019 and December 31, 2018:

	March 31, 2019				
(Dollars in Thousands)	**Fair Value *(1)***	**Valuation Technique**	**Unobservable Input**	**Weighted Average *(2)***	**Range**
Residential whole loans, at fair value	$ 744,578	Discounted cash flow	Discount rate	5.2%	4.5-8.0%
			Prepayment rate	4.9%	0.9-16.7%
			Default rate	4.2%	0.0-24.1%
			Loss severity	12.8%	0.0-100.0%
	$ 641,522	Liquidation model	Discount rate	8.1%	6.1-50.0%
			Annual change in home prices	3.5%	0.0-8.6%
			Liquidation timeline (in years)	1.8	0.1-4.5
			Current value of underlying properties *(3)*	$ 741	$2-$5,450
Total	$ 1,386,100				

	December 31, 2018				
(Dollars in Thousands)	**Fair Value *(1)***	**Valuation Technique**	**Unobservable Input**	**Weighted Average *(2)***	**Range**
Residential whole loans, at fair value	$ 700,250	Discounted cash flow	Discount rate	5.2%	4.5-8.0%
			Prepayment rate	4.8%	0.9-15.9%
			Default rate	4.1%	0.0-24.1%
			Loss severity	12.9%	0.0-100.0%
	$ 683,252	Liquidation model	Discount rate	8.0%	6.1-50.0%
			Annual change in home prices	3.5%	(0.5)-12.2%
			Liquidation timeline (in years)	1.8	0.1-4.5
			Current value of underlying properties *(3)*	$ 802	$2-$7,950
Total	$ 1,383,502				

(1) Excludes approximately $126.2 million and $282.5 million of loans for which management considers the purchase price continues to reflect the fair value of such loans at March 31, 2019 and December 31, 2018, respectively.

(2) Amounts are weighted based on the fair value of the underlying loan.

(3) The simple average value of the properties underlying residential whole loans held at fair value valued via a liquidation model was approximately$362,000 and $400,000 as of March 31, 2019 and December 31, 2018, respectively.

The following table presents the carrying values and estimated fair values of the Company's financial instruments at March 31, 2019 and December 31, 2018:

	March 31, 2019		December 31, 2018	
(In Thousands)	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Assets:				
Agency MBS	$ 2,546,597	$ 2,546,597	$ 2,698,213	$ 2,698,213
Non-Agency MBS	3,099,272	3,099,272	3,318,299	3,318,299
CRT securities	423,702	423,702	492,821	492,821
Residential whole loans, at carrying value	3,724,146	3,816,290	3,016,715	3,104,401
Residential whole loans, at fair value	1,512,337	1,512,337	1,665,978	1,665,978
MSR-related assets	825,363	825,363	611,807	611,807
Cash and cash equivalents	76,579	76,579	51,965	51,965
Restricted cash	41,999	41,999	36,744	36,744
Financial Liabilities *(1)*:				
Repurchase agreements	8,509,713	8,527,163	7,879,087	7,895,672
Securitized debt	659,184	659,804	684,420	680,209
Senior Notes	96,827	102,591	96,816	99,951

(1) Carrying value of securitized debt, Senior Notes and certain repurchase agreements is net of associated debt issuance costs.

In addition to the methodologies used to determine the fair value of the Company's financial assets and liabilities reported at fair value on a recurring basis discussed on pages 42-46, the following methods and assumptions were used by the Company in arriving at the fair value of the Company's other financial instruments presented in the above table that are not reported at fair value on a recurring basis:

Residential Whole Loans, at Carrying Value: The Company generally determines the fair value of its residential whole loans held at carrying value using the same approach applied for residential whole loans held at fair value. Given the short duration of the Company's Rehabilitation loans, these investments are determined to have a carrying value which approximates fair value. The Company's residential whole loans held at carrying value are classified as Level 3 in the fair value hierarchy.

Cash and Cash Equivalents and Restricted Cash: Cash and cash equivalents and restricted cash are comprised of cash held in overnight money market investments and demand deposit accounts. At March 31, 2019 and December 31, 2018, the Company's money market funds were invested in securities issued by the U.S. Government or its agencies, instrumentalities, and sponsored entities, and repurchase agreements involving the securities described above. Given the overnight term and assessed credit risk, the Company's investments in money market funds are determined to have a fair value equal to their carrying value and are classified as Level 1 in the fair value hierarchy.

Corporate Loans: The Company determines the fair value of its Corporate loans, included in MSR-related assets along with the term notes, after considering recent past and expected future loan performance, recent financial performance of the borrower and estimates of the current value of the underlying collateral, which includes certain MSRs and other assets of the borrower that are pledged to secure the borrowing. The Company's investment in Corporate loans are classified as Level 3 in the fair value hierarchy.

Repurchase Agreements: The fair value of repurchase agreements reflects the present value of the contractual cash flows discounted at market interest rates at the valuation date for repurchase agreements with a term equivalent to the remaining term to interest rate repricing, which may be at maturity. Such interest rates are estimated based on LIBOR rates observed in the market. The Company's repurchase agreements are classified as Level 2 in the fair value hierarchy.

Securitized Debt: In determining the fair value of securitized debt, management considers a number of observable market data points, including prices obtained from pricing services and brokers as well as dialogue with market participants. Accordingly, the Company's securitized debt is classified as Level 2 in the fair value hierarchy.

Senior Notes: The fair value of the Senior Notes is determined using the end of day market price quoted on the NYSE at the reporting date. The Company's Senior Notes are classified as Level 1 in the fair value hierarchy.

The Company holds REO at the lower of the current carrying amount or fair value less estimated selling costs. At March 31, 2019 and December 31, 2018, the Company's REO had an aggregate carrying value of $290.6 million and $249.4 million, and an aggregate estimated fair value of $320.0 million and $273.4 million, respectively. The Company classifies fair value measurements of REO as Level 3 in the fair value hierarchy.

15. Use of Special Purpose Entities and Variable Interest Entities

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

The Company has entered into several financing transactions that resulted in the Company consolidating as VIEs the SPEs that were created to facilitate these transactions. See Note 2(r) for a discussion of the accounting policies applied to the consolidation of VIEs and transfers of financial assets in connection with financing transactions.

The Company has engaged in loan securitizations primarily for the purpose of obtaining improved overall financing terms as well as non-recourse financing on a portion of its residential whole loan portfolio. Notwithstanding the Company's participation in these transactions, the risks facing the Company are largely unchanged as the Company remains economically exposed to the first loss position on the underlying assets transferred to the VIEs.

Loan Securitization Transactions

The following table summarizes the key details of the Company's loan securitization transactions as of March 31, 2019 and December 31, 2018:

(Dollars in Thousands)	March 31, 2019		December 31, 2018	
Aggregate unpaid principal balance of residential whole loans sold	$ 1,290,029		$ 1,290,029	
Face amount of Senior Bonds issued by the VIE and purchased by third-party investors	$ 802,817		$ 802,817	
Outstanding amount of Senior Bonds	$ 659,184	*(1)*	$ 684,420	*(1)*
Weighted average fixed rate for Senior Bonds issued	3.66%	*(2)*	3.66%	*(2)*
Weighted average contractual maturity of Senior Bonds	30 years	*(2)*	31 years	*(2)*
Face amount of Senior Support Certificates received by the Company *(3)*	$ 275,174		$ 275,174	
Cash received	$ 802,815		$ 802,815	

(1) Net of $3.6 million and $3.8 million of deferred financing costs at March 31, 2019 and December 31, 2018, respectively.

(2) At March 31, 2019 and December 31, 2018, $563.2 million and $582.8 million, respectively, of Senior Bonds sold in securitization transactions contained a contractual coupon step-up feature whereby the coupon increases by 300 basis points at 36 months from issuance if the bond is not redeemed before such date.

(3) Provides credit support to the Senior Bonds sold to third-party investors in the securitization transactions.

As of March 31, 2019 and December 31, 2018, as a result of the transactions described above, securitized loans with a carrying value of approximately $202.7 million and $209.4 million are included in "Residential whole loans, at carrying value," securitized loans with a fair value of approximately $647.0 million and $694.7 million are included in "Residential whole loans, at fair value," and REO with a carrying value approximately $102.5 million and $79.0 million are included in "Other assets" on the Company's consolidated balance sheets, respectively. As of March 31, 2019 and December 31, 2018, the aggregate carrying value of Senior Bonds issued by consolidated VIEs was $659.2 million and $684.4 million, respectively. These Senior Bonds are disclosed as "Securitized debt" and are included in Other liabilities on the Company's consolidated balance sheets. The holders of the securitized debt have no recourse to the general credit of the Company, but the Company does have the obligation, under certain circumstances to repurchase assets from the VIE upon the breach of certain representations and warranties with respect to the residential whole loans sold to the VIE. In the absence of such a breach, the Company has no obligation to provide any other explicit or implicit support to any VIE.

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

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

Based on its evaluation of the factors discussed above, including its involvement in the purpose and design of the entity, the Company determined that it was required to consolidate each VIE created to facilitate the loan securitization transactions.

Residential Whole Loans and REO (including Residential Whole Loans and REO transferred to consolidated VIEs)

Included on the Company's consolidated balance sheets as of March 31, 2019 and December 31, 2018 are a total of $5.2 billion and $4.7 billion of residential whole loans, of which approximately $3.7 billion and $3.0 billion are reported at carrying value and $1.5 billion and $1.7 billion are reported at fair value, respectively. In addition, at March 31, 2019 and December 31, 2018, the Company had REO with an aggregate carrying value of $290.6 million and $249.4 million, and an aggregate estimated fair value of $320.0 million and $273.4 million, respectively. These assets are directly owned by certain trusts established by the Company to acquire the loans and entities established in connection with the Company's loan securitization transactions. The Company has assessed that these entities are required to be consolidated. (See Notes 4 and 5(a))

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

In this Quarterly Report on Form 10-Q, we refer to MFA Financial, Inc. and its subsidiaries as "the Company," "MFA," "we," "us," or "our," unless we specifically state otherwise or the context otherwise indicates.

The following discussion should be read in conjunction with our financial statements and accompanying notes included in Item 1 of this Quarterly Report on Form 10-Q as well as our Annual Report on Form 10-K for the year ended December 31, 2018.

Forward Looking Statements

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

These forward-looking statements include information about possible or assumed future results with respect to our business, financial condition, liquidity, results of operations, plans and objectives. Statements regarding the following subjects, among others, may be forward-looking: changes in interest rates and the market (i.e., fair) value of our MBS, residential whole loans, CRT securities and other assets; changes in the prepayment rates on residential mortgage assets, an increase of which could result in a reduction of the yield on certain investments in our portfolio and could require us to reinvest the proceeds received by us as a result of such prepayments in investments with lower coupons, while a decrease in which could result in an increase in the interest rate duration of certain investments in our portfolio making their valuation more sensitive to changes in interest rates and could result in lower forecasted cash flows or, in certain circumstances, other-than-temporary impairment on certain Legacy Non-Agency MBS purchased at a discount; credit risks underlying our assets, including changes in the default rates and management's assumptions regarding default rates on the mortgage loans securing our Non-Agency MBS and relating to our residential whole loan portfolio; our ability to borrow to finance our assets and the terms, including the cost, maturity and other terms, of any such borrowings; implementation of or changes in government regulations or programs affecting our business; our estimates regarding taxable income the actual amount of which is dependent on a number of factors, including, but not limited to, changes in the amount of interest income and financing costs, the method elected by us to accrete the market discount on Non-Agency MBS and residential whole loans and the extent of prepayments, realized losses and changes in the composition of our Agency MBS, Non-Agency MBS and residential whole loan portfolios that may occur during the applicable tax period, including gain or loss on any MBS disposals and whole loan modifications, foreclosures and liquidations; the timing and amount of distributions to stockholders, which are declared and paid at the discretion of our Board and will depend on, among other things, our taxable income, our financial results and overall financial condition and liquidity, maintenance of our REIT qualification and such other factors as the Board deems relevant; our ability to maintain our qualification as a REIT for federal income tax purposes; our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended (or the Investment Company Act), including statements regarding the concept release issued by the SEC relating to interpretive issues under the Investment Company Act with respect to the status under the Investment Company Act of certain companies that are engaged in the business of acquiring mortgages and mortgage-related interests; our ability to continue growing our residential whole loan portfolio, which is dependent on, among other things, the supply of loans offered for sale in the market; expected returns on our investments in nonperforming residential whole loans (or NPLs), which are affected by, among other things, the length of time required to foreclose upon, sell, liquidate or otherwise reach a resolution of the property underlying the NPL, home price values, amounts advanced to carry the asset (e.g., taxes, insurance, maintenance expenses, etc. on the underlying property) and the amount ultimately realized upon resolution of the asset; targeted or expected returns on our investments in recently-originated loans, the performance of which is, similar to our other mortgage loan investments, subject to, among other things, prepayment risk, credit risk and financing cost associated with such investments; risks associated with our investments in MSR-related assets, including servicing, regulatory and economic risks, and risks associated with investing in real estate assets, including changes in business conditions and the general economy. These and other risks, uncertainties and factors, including those described in the annual, quarterly and current reports that we file with the SEC, could cause our actual results to differ materially from those projected in any forward-looking statements we make. All forward-looking statements are based on beliefs, assumptions and expectations of our future performance, taking into account all information currently available. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. New risks and uncertainties arise over time and it is not possible to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Business/General

We are an internally-managed REIT primarily engaged in the business of investing, on a leveraged basis, in residential mortgage assets, including residential mortgage securities, residential whole loans and MSR-related assets. Our principal business objective is to deliver shareholder value through the generation of distributable income and through asset performance linked to residential mortgage credit fundamentals. We selectively invest in residential mortgage assets with a focus on credit analysis, projected prepayment rates, interest rate sensitivity and expected return.

At March 31, 2019, we had total assets of approximately $12.8 billion, of which $6.1 billion, or 47.4%, represents investments in residential mortgage securities. At such date, our portfolio includes $2.5 billion of Agency MBS, $3.1 billion of Non-Agency MBS and $423.7 million of CRT securities. Non-Agency MBS is comprised of $1.8 billion of Legacy Non-Agency MBS and $1.3 billion of RPL/NPL MBS. These RPL/NPL MBS are backed by securitized re-performing and non-performing loans and are generally structured with a contractual coupon step-up feature where the coupon increases from 300 - 400 basis points at 36 - 48 months from issuance or sooner. In addition, at March 31, 2019, we had approximately $5.2 billion in residential whole loans acquired through interests in certain trusts established to acquire the loans, which represented approximately 41% of our total assets. During the first quarter of 2019 our residential whole loan portfolio continued to grow due to acquisitions of Purchased Performing Loans. Our Purchased Performing Loans, which as of March 31, 2019 comprised approximately 56% of our residential whole loans, include: (i) loans to finance (or refinance) one-to-four family residential properties that are not considered to meet the definition of a "Qualified Mortgage" in accordance with guidelines adopted by the Consumer Financial Protection Bureau (or Non-QM loans), (ii) short-term business purpose loans collateralized by residential properties made to non-occupant borrowers who intend to rehabilitate and sell the property for a profit (or Rehabilitation loans or Fix and Flip loans), (iii) loans to finance (or refinance) non-owner occupied one-to-four family residential properties that are rented to one or more tenants (or Single-family rental loans), and (iv) previously originated loans secured by residential real estate that is generally owner occupied (or Seasoned performing loans). Our remaining investment-related assets, which represent approximately 10% of our total assets at March 31, 2019, were primarily comprised of MSR-related assets, REO and MBS and loan-related receivables.

The results of our business operations are affected by a number of factors, many of which are beyond our control, and primarily depend on, among other things, the level of our net interest income, the market value of our assets, which is driven by numerous factors, including the supply and demand for residential mortgage assets in the marketplace, the terms and availability of adequate financing, general economic and real estate conditions (both on a national and local level), the impact of government actions in the real estate and mortgage sector, and the credit performance of our credit sensitive residential mortgage assets. In recent periods, the impact on our GAAP results from market volatility, resulting in changes in market values of certain financial instruments for which changes in fair value are recorded in net income each period, such as CRT securities, certain residential whole loans, Agency MBS, and Swaps not designated as hedges, has increased. Our net interest income varies primarily as a result of changes in interest rates, the slope of the yield curve (i.e., the differential between long-term and short-term interest rates), borrowing costs (i.e., our interest expense) and prepayment speeds, the behavior of which involves various risks and uncertainties. Interest rates and conditional prepayment rates (or CPRs) (which measure the amount of unscheduled principal prepayment on an asset as a percentage of the asset balance), vary according to the type of investment, conditions in the financial markets, competition and other factors, none of which can be predicted with any certainty.

With respect to our business operations, increases in interest rates, in general, may over time cause: (i) the interest expense associated with our borrowings to increase; (ii) the value of our residential mortgage assets and, correspondingly, our stockholders' equity to decline; (iii) coupons on our adjustable rate assets to reset, on a delayed basis, to higher interest rates; (iv) prepayments on our assets to decline, thereby slowing the amortization of purchase premiums and the accretion of our purchase discounts, and slowing our ability to redeploy capital to generally higher yielding investments; and (v) the value of our derivative hedging instruments and, correspondingly, our stockholders' equity to increase. Conversely, decreases in interest rates, in general, may over time cause: (i) the interest expense associated with our borrowings to decrease; (ii) the value of our residential mortgage assets and, correspondingly, our stockholders' equity to increase; (iii) coupons on our adjustable rate assets, on a delayed basis, to lower interest rates; (iv) prepayments on our assets to increase, thereby accelerating the amortization of purchase premiums and the accretion of our purchase discounts, and accelerating the redeployment of our capital to generally lower yielding investments; and (v) the value of our derivative hedging instruments and, correspondingly, our stockholders' equity to decrease. In addition, our borrowing costs and credit lines are further affected by the type of collateral we pledge and general conditions in the credit market.

Our investments in residential mortgage assets, particularly investments in residential mortgage loans and Non-Agency MBS, expose us to credit risk, generally meaning that we are subject to credit losses due to the risk of delinquency, default and foreclosure on the underlying real estate collateral. We believe the discounted purchase prices paid on certain of these investments mitigate our risk of loss in the event that, as we expect on most such investments, we receive less than 100% of the par value of these investments. With respect to investments in Purchased Performing Loans, we believe that sound underwriting standards, including low LTVs at origination, significantly mitigate our risk of loss. Our investment process for credit sensitive assets focuses primarily on quantifying and pricing credit risk.

Premiums arise when we acquire an MBS or loan at a price in excess of the aggregate principal balance of the mortgages securing the MBS (i.e., par value) or when we acquire residential whole loans at a price in excess of their aggregate principal balance. Conversely, discounts arise when we acquire an MBS at a price below the aggregate principal balance of the mortgages securing the MBS or when we acquire residential whole loans at a price below their aggregate principal balance. Accretable purchase discounts on these investments are accreted to interest income. Purchase premiums, which are primarily carried on our Agency MBS, certain CRT securities and Non-QM loans, are amortized against interest income over the life of the investment using the effective yield method, adjusted for actual prepayment activity. An increase in the prepayment rate, as measured by the CPR, will typically accelerate the amortization of purchase premiums, thereby reducing the interest income earned on these assets.

CPR levels are impacted by, among other things, conditions in the housing market, new regulations, government and private sector initiatives, interest rates, availability of credit to home borrowers, underwriting standards and the economy in general. In particular, CPR reflects the conditional repayment rate (or CRR), which measures voluntary prepayments of a loan, and the conditional default rate (or CDR), which measures involuntary prepayments resulting from defaults. CPRs on our residential mortgage securities and whole loans may differ significantly. For the three months ended March 31, 2019, our Agency MBS portfolio experienced a weighted average CPR of 13.6%, and our Legacy Non-Agency MBS portfolio experienced a weighted average CPR of 12.7%. Over the last consecutive eight quarters, ending with March 31, 2019, the monthly weighted average CPR on our Agency and Legacy Non-Agency MBS portfolios ranged from a high of 18.4% experienced during the month ended July 31, 2017 to a low of 12.2%, experienced during the month ended January 31, 2019, with an average CPR over such quarters of 15.5%.

Our method of accounting for Non-Agency MBS purchased at significant discounts to par value, requires us to make assumptions with respect to each security. These assumptions include, but are not limited to, future interest rates, voluntary prepayment rates, default rates, mortgage modifications and loss severities. As part of our Non-Agency MBS surveillance process, we track and compare each security's actual performance over time to the performance expected at the time of purchase or, if we have modified our original purchase assumptions, to our revised performance expectations. To the extent that actual performance or our expectation of future performance of our Non-Agency MBS deviates materially from our expected performance parameters, we may revise our performance expectations, such that the amount of purchase discount designated as credit discount may be increased or decreased over time. Nevertheless, credit losses greater than those anticipated or in excess of the recorded purchase discount could occur, which could materially adversely impact our operating results.

It is generally our business strategy to hold our residential mortgage assets as long-term investments. On at least a quarterly basis, excluding investments for which the fair value option has been elected or for which specialized loan accounting is otherwise applied, we assess our ability and intent to continue to hold each asset and, as part of this process, we monitor our MBS, CRT securities and MSR-related assets that are designated as AFS for OTTI. A change in our ability and/or intent to continue to hold any of these securities that are in an unrealized loss position, or a deterioration in the underlying characteristics of these securities, could result in our recognizing future impairment charges or a loss upon the sale of any such security. At March 31, 2019, we had net unrealized gains on our Non-Agency MBS of $445.3 million, comprised of gross unrealized gains of $447.3 million and gross unrealized losses of $2.0 million, and net unrealized losses of $21.1 million on our Agency MBS, comprised of gross unrealized losses of $35.5 million and gross unrealized gains of $14.4 million. At March 31, 2019, we did not intend to sell any securities in our portfolio that are designated as AFS and that were in an unrealized loss position, and we believe it is more likely than not that we will not be required to sell those securities before recovery of their amortized cost basis, which may be at their maturity.

We rely primarily on borrowings under repurchase agreements to finance our residential mortgage assets. Our residential mortgage investments have longer-term contractual maturities than our borrowings under repurchase agreements. Even though the majority of our investments have interest rates that adjust over time based on short-term changes in corresponding interest rate indices (typically following an initial fixed-rate period for our Hybrids), the interest rates we pay on our borrowings will typically change at a faster pace than the interest rates we earn on our investments. In order to reduce this interest rate risk exposure, we may enter into derivative instruments, which at March 31, 2019 were comprised of Swaps.

The majority of our Swap derivative instruments are designated as cash-flow hedges against a portion of our current and forecasted LIBOR-based repurchase agreements. While these Swaps do not extend the maturities of the associated repurchase agreement being hedged; they do, however, lock in a fixed rate of interest over their term for the notional amount of the Swap corresponding to the hedged item.

Recent Market Conditions and Our Strategy

At March 31, 2019, our residential mortgage asset portfolio, which includes residential mortgage securities, residential whole loans and REO and MSR-related assets, was approximately $12.4 billion compared to $12.1 billion at December 31, 2018. For the remainder of 2019, we expect to continue to seek investment opportunities primarily focused on residential whole loans and selectively in residential mortgage securities and MSR-related assets as market opportunities arise.

The following table presents the activity for our residential mortgage asset portfolio for the three months ended March 31, 2019:

(In Millions)	December 31, 2018	Runoff *(1)*	Acquisitions	Other *(2)*	March 31, 2019	Change
Residential whole loans and REO	$ 4,932	$ (297)	$ 875	$ 17	$ 5,527	$ 595
RPL/NPL MBS	1,377	(141)	101	(52)	1,285	(92)
MSR-related assets	612	(7)	220	—	825	213
CRT securities	493	—	5	(74)	424	(69)
Legacy Non-Agency MBS	1,941	(88)	2	(41)	1,814	(127)
Agency MBS	2,698	(160)	—	9	2,547	(151)
Totals	$ 12,053	$ (693)	$ 1,203	$ (141)	$ 12,422	$ 369

(1) Primarily includes principal repayments, cash collections on Purchased Credit Impaired Loans and sales of REO.

(2) Primarily includes sales of residential mortgage securities, changes in fair value, net premium amortization/discount accretion and adjustments to record lower of cost or estimated fair value adjustments on REO. During the three months ended March 31, 2019, we sold CRT securities for $83.4 million, realizing gains of $6.5 million and sold certain Non-Agency MBS for $126.1 million, realizing gains of $18.2 million.

At March 31, 2019, our total recorded investment in residential whole loans and REO was $5.5 billion, or 44.5% of our residential mortgage asset portfolio. Of this amount, (i) $3.7 billion is presented as Residential whole loans, at carrying value (of which $3.0 billion were Purchased Performing Loans and $773.9 million were Purchased Credit Impaired Loans), and (ii) $1.5 billion as Residential whole loans, at fair value, in our consolidated balance sheets. For the three months ended March 31, 2019, we recognized approximately $49.6 million of income on Residential whole loans, at carrying value in Interest Income on our consolidated statements of operations, representing an effective yield of 5.89% (excluding servicing costs). In addition, we recorded a net gain on residential whole loans measured at fair value through earnings of $25.3 million in Other Income, net in our consolidated statements of operations for the three months ended March 31, 2019. At March 31, 2019 and December 31, 2018, we had REO with an aggregate carrying value of $290.6 million and $249.4 million, respectively, which is included in Other assets on our consolidated balance sheets.

At the end of the first quarter of 2019, the average coupon on mortgages underlying our Agency MBS was higher compared to the end of the first quarter of 2018, due to upward resets on securities within the portfolio, purchases of higher coupon Agency MBS and the impact of sales of lower coupon Agency MBS during 2018. As a result, the coupon yield on our Agency MBS portfolio increased to 3.69% for the three months ended March 31, 2019, from 3.02% for the three months ended March 31, 2018, and the net Agency MBS yield increased to 2.77% for the three months ended March 31, 2019 from 2.21% for the three months ended March 31, 2018. The net yield for our Legacy Non-Agency MBS portfolio was 10.45% for the three months ended March 31, 2019 compared to 9.44% for the three months ended March 31, 2018. The increase in the net yield on our Legacy Non-Agency MBS portfolio reflects changes in interest rates since the first quarter of the prior year, the improved performance of loans underlying the Legacy Non-Agency MBS portfolio, which has resulted in credit reserve releases and higher accretion income recognized in the current quarter due the impact of the cash proceeds received during 2018 in connection with the settlement of litigation related to certain residential mortgage backed securitization trusts. The net yield for our RPL/NPL MBS portfolio was 4.90% for the three months ended March 31, 2019 compared to 4.36% for the three months ended March 31, 2018. The increase in the net yield reflects an increase in the average coupon yield to 4.86% for the three months ended March 31, 2019 from 4.35% for the three months ended March 31, 2018.

We believe that our $501.6 million Credit Reserve and OTTI appropriately factors in remaining uncertainties regarding underlying mortgage performance and the potential impact on future cash flows for our existing Legacy Non-Agency MBS portfolio. In addition, while the majority of our Legacy Non-Agency MBS will not return their full face value due to loan defaults, we believe that they will deliver attractive loss adjusted yields due to our discounted weighted average amortized cost basis of 68% of face value at March 31, 2019. Home price appreciation and underlying mortgage loan amortization have decreased the LTV for many of the mortgages underlying our Legacy Non-Agency portfolio. Home price appreciation during the past few years has generally been driven by a combination of limited housing supply due partly to low levels of new home construction, low mortgage rates and demographic-driven U.S. household formation. Lower LTVs lessen the likelihood of defaults and simultaneously decrease loss severities. Further, during 2018 and the three months ended March 31, 2019, we have also observed faster voluntary prepayment (i.e., prepayment of loans in full with no loss) speeds than originally projected. The yields on our Legacy Non-Agency MBS that were purchased at a discount are generally positively impacted if prepayment rates on these securities exceed our prepayment assumptions. Based on these current conditions, we have reduced estimated future losses within our Legacy Non-Agency portfolio.

Our book value per common share was $7.11 as of March 31, 2019. Book value per common share decreased slightly from $7.15 as of December 31, 2018 as our portfolio continued to deliver relatively stable book value.

Repurchase agreement funding for our residential mortgage investments continued to be available to us from multiple counterparties during the first quarter of 2019. Typically, repurchase agreement funding involving credit-sensitive investments is available at terms requiring higher collateralization and higher interest rates than for repurchase agreement funding involving Agency MBS. At March 31, 2019, our debt consisted of borrowings under repurchase agreements with 26 counterparties, securitized debt, Senior Notes outstanding and payable for unsettled purchases, resulting in a debt-to-equity multiple of 2.7 times. (See table on page 71 under Results of Operations that presents our quarterly leverage multiples since March 31, 2018.)

At March 31, 2019, we have access to various sources of liquidity which we estimate to be in excess of $217.4 million. This amount includes (i) $76.6 million of cash and cash equivalents; (ii) $78.7 million in estimated financing available from unpledged Agency MBS and from other Agency MBS collateral that is currently pledged in excess of contractual requirements; and (iii) $62.1 million in estimated financing available from unpledged Non-Agency MBS and from other Non-Agency MBS and CRT collateral that is currently pledged in excess of contractual requirements. Our sources of liquidity do not include restricted cash. In addition, we have $1.1 billion of unencumbered residential whole loans. We are evaluating potential opportunities to finance these assets including loan securitization. With access to multiple sources of liquidity and potential financing opportunities for unencumbered residential whole loans, we believe that we are positioned to continue to take advantage of investment opportunities within the residential mortgage marketplace.

The net interest spread of our investment portfolio was 1.98% and 2.25% for the three months ended March 31, 2019 and 2018, respectively. The change in our net interest spread was primarily driven by increased funding costs, reflecting Federal Reserve rate increases during 2018, as well as the impact of changes in funding spreads during this period. Overall portfolio asset yields have also risen as we have changed the mix of our investments, as portfolio run-off and equity raised has been re-invested/deployed in higher yielding investments.

Our estimated net effective duration remained relatively low at 1.07 as of March 31, 2019, as compared to 0.98 at March 31, 2018. We manage our net duration through our investment selection, as well as through the use of interest rate swaps. In addition, our low leverage limits our sensitivity to changes in interest rates.

Information About Our Assets

The table below presents certain information about our asset allocation at March 31, 2019:

ASSET ALLOCATION

(Dollars in Millions)	Agency MBS	Legacy Non-Agency MBS	RPL/NPL MBS *(1)*	Credit Risk Transfer Securities	Residential Whole Loans, at Carrying Value *(2)*	Residential Whole Loans, at Fair Value	MSR-Related Assets	Other, net *(3)*	Total
Fair Value/Carrying Value	$ 2,547	$ 1,814	$ 1,285	$ 424	$ 3,724	$ 1,512	$ 825	$ 540	$ 12,671
Less Repurchase Agreements	(2,353)	(1,360)	(1,009)	(339)	(2,151)	(596)	(648)	(54)	(8,510)
Less Securitized Debt	—	—	—	—	(155)	(504)	—	—	(659)
Less Senior Notes	—	—	—	—	—	—	—	(97)	(97)
Net Equity Allocated	$ 194	$ 454	$ 276	$ 85	$ 1,418	$ 412	$ 177	$ 389	$ 3,405
Debt/Net Equity Ratio *(4)*	12.1x	3.0x	3.7x	4.0x	1.6x	2.7x	3.7x		2.7x

(1) RPL/NPL MBS are backed primarily by securitized re-performing and non-performing loans. The securities are generally structured such that the coupon increases from 300 - 400 basis points at 36 - 48 months from issuance or sooner. Included with the balance of Non-Agency MBS reported on our consolidated balance sheets.

(2) Includes $1.9 billion of Non-QM loans, $621.3 million of Rehabilitation loans, $227.5 million of Single-family rental loans, $215.4 million of Seasoned performing loans and $773.9 million of Purchased Credit Impaired Loans. At March 31, 2019, the total fair value of these loans is estimated to be approximately $3.8 billion.

(3) Includes cash and cash equivalents and restricted cash, other assets and other liabilities.

(4) Represents the sum of borrowings under repurchase agreements, securitized debt and payable for unsettled purchases as a multiple of net equity allocated. The numerator of our Total Debt/Net Equity Ratio also includes Senior Notes.

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Agency MBS

The following tables present certain information regarding the composition of our Agency MBS portfolio as of March 31, 2019 and December 31, 2018:

March 31, 2019

(Dollars in Thousands)	Current Face	Weighted Average Purchase Price	Weighted Average Market Price	Fair Value *(1)*	Weighted Average Loan Age (Months) *(2)*	Weighted Average Coupon *(2)*	3 Month Average CPR
15-Year Fixed Rate:							
Low Loan Balance *(3)*	$ 612,979	104.4%	101.1%	$ 619,513	83	3.00%	9.1%
Generic	124,866	104.4	102.0	127,302	90	3.49	8.5
Total 15-Year Fixed Rate	$ 737,845	104.4%	101.2%	$ 746,815	84	3.08%	9.0%
30-Year Fixed Rate:							
Generic	$ 684,462	104.0%	104.4%	$ 714,713	9	4.50%	12.6%
Total 30-Year Fixed Rate	$ 684,462	104.0%	104.4%	$ 714,713	9	4.50%	12.6%
Hybrid	$ 991,821	103.5%	103.5%	$ 1,026,455	111	4.14%	18.0%
CMO/Other	$ 56,288	102.6%	103.2%	$ 58,090	203	4.25%	7.0%
Total Portfolio	$ 2,470,416	103.9%	103.1%	$ 2,546,073	77	3.93%	13.6%

December 31, 2018

(Dollars in Thousands)	Current Face	Weighted Average Purchase Price	Weighted Average Market Price	Fair Value *(1)*	Weighted Average Loan Age (Months) *(2)*	Weighted Average Coupon *(2)*	3 Month Average CPR
15-Year Fixed Rate:							
Low Loan Balance *(3)*	$ 647,482	104.4%	100.0%	$ 647,405	80	3.01%	8.2%
Generic	132,713	104.4	101.1	134,220	88	3.50	10.1
Total 15-Year Fixed Rate	$ 780,195	104.4%	100.2%	$ 781,625	81	3.09%	8.5%
30-Year Fixed Rate:							
Generic	$ 711,158	104.0%	103.6%	$ 736,498	6	4.50%	4.7%
Total 30-Year Fixed Rate	$ 711,158	104.0%	103.6%	$ 736,498	6	4.50%	4.7%
Hybrid	$ 1,080,569	103.5%	103.5%	$ 1,118,638	108	3.90%	20.0%
CMO/Other	$ 58,708	102.6%	102.9%	$ 60,415	206	4.05%	18.7%
Total Portfolio	$ 2,630,630	103.9%	102.5%	$ 2,697,176	74	3.82%	12.5%

(1) Does not include principal payments receivable of $524,000 and $1.0 million at March 31, 2019 and December 31, 2018, respectively.

(2) Weighted average is based on MBS current face at March 31, 2019 and December 31, 2018, respectively.

(3) Low loan balance represents MBS collateralized by mortgages with an original loan balance of less than or equal to $175,000.

The following tables present certain information regarding our fixed-rate Agency MBS as of March 31, 2019 and December 31, 2018:

March 31, 2019

Coupon	Current Face	Weighted Average Purchase Price	Weighted Average Market Price	Fair Value *(1)*	Weighted Average Loan Age (Months) *(2)*	Weighted Average Loan Rate	Low Loan Balance and/or HARP *(3)*	3 Month Average CPR
(Dollars in Thousands)								
15-Year Fixed Rate:								
2.5%	$ 342,402	104.1%	100.0%	$ 342,482	76	3.03%	100%	7.5%
3.0%	176,827	105.9	101.2	178,867	80	3.19	100	7.8
3.5%	3,581	103.5	102.3	3,661	101	4.18	100	8.5
4.0%	185,318	103.5	103.1	191,003	100	4.40	81	12.6
4.5%	29,717	105.2	103.7	30,802	104	4.88	33	10.2
Total 15-Year Fixed Rate	$ 737,845	104.4%	101.2%	$ 746,815	84	3.56%	92%	9.0%
30-Year Fixed Rate:								
4.5%	$ 684,462	104.0%	104.4%	$ 714,713	9	5.17%	—%	12.6%
Total 30-Year Fixed Rate	$ 684,462	104.0%	104.4%	$ 714,713	9	5.17%	—%	12.6%
Total Fixed Rate Portfolio	$ 1,422,307	104.2%	102.8%	$ 1,461,528	48	4.33%	48%	10.7%

December 31, 2018

Coupon	Current Face	Weighted Average Purchase Price	Weighted Average Market Price	Fair Value *(1)*	Weighted Average Loan Age (Months) *(2)*	Weighted Average Loan Rate	Low Loan Balance and/or HARP *(3)*	3 Month Average CPR
(Dollars in Thousands)								
15-Year Fixed Rate:								
2.5%	$ 359,252	104.1%	98.6%	$ 354,252	73	3.03%	100%	6.4%
3.0%	185,912	105.9	100.3	186,548	77	3.49	100	8.4
3.5%	3,798	103.5	101.4	3,853	98	4.18	100	12.8
4.0%	199,352	103.5	102.4	204,055	97	4.40	81	11.9
4.5%	31,881	105.3	103.3	32,917	101	4.88	34	12.7
Total 15-Year Fixed Rate	$ 780,195	104.4%	100.2%	$ 781,625	81	3.57%	92%	8.5%
30-Year Fixed Rate:								
4.5%	$ 711,158	104.0%	103.6%	$ 736,498	6	5.17%	—%	4.7%
Total 30-Year Fixed Rate	$ 711,158	104.0%	103.6%	$ 736,498	6	5.17%	—%	4.7%
Total Fixed Rate Portfolio	$ 1,491,353	104.2%	101.8%	$ 1,518,123	45	4.33%	48%	6.8%

(1) Does not include principal payments receivable of $524,000 and $1.0 million at March 31, 2019 and December 31, 2018, respectively.

(2) Weighted average is based on MBS current face at March 31, 2019 and December 31, 2018, respectively.

(3) Low Loan Balance represents MBS collateralized by mortgages with an original loan balance less than or equal to $175,000. Home Affordable Refinance Program (or HARP) MBS are backed by refinanced loans with LTVs greater than or equal to 80% at origination.

The following tables present certain information regarding our Hybrid Agency MBS as of March 31, 2019 and December 31, 2018:

March 31, 2019

(Dollars in Thousands)	Current Face	Weighted Average Purchase Price	Weighted Average Market Price	Fair Value *(1)*	Weighted Average Coupon *(2)*	Weighted Average Loan Age (Months) *(2)*	Weighted Average Months to Reset *(3)*	Interest Only *(4)*	3 Month Average CPR
Hybrid									
Agency 3/1	$ 61,922	102.6%	104.5%	$ 64,727	4.57%	154	5	—%	12.4%
Agency 5/1	425,321	103.3	104.1	442,590	4.54	122	5	15	18.5
Agency 7/1	346,195	103.6	103.6	358,646	3.99	99	6	20	24.1
Agency 10/1	158,383	104.3	101.3	160,492	3.21	89	33	60	5.0
Total Hybrids	$ 991,821	103.5%	103.5%	$ 1,026,455	4.14%	111	10	23%	18.0%

December 31, 2018

(Dollars in Thousands)	Current Face	Weighted Average Purchase Price	Weighted Average Market Price	Fair Value *(1)*	Weighted Average Coupon *(2)*	Weighted Average Loan Age (Months) *(2)*	Weighted Average Months to Reset *(3)*	Interest Only *(4)*	3 Month Average CPR
Hybrid									
Agency 3/1	$ 66,369	102.6%	104.7%	$ 69,478	4.42%	151	6	—%	14.7%
Agency 5/1	462,833	103.3	104.2	482,466	4.30	118	5	15	20.6
Agency 7/1	389,734	103.7	103.5	403,471	3.62	96	6	20	23.7
Agency 10/1	161,633	104.3	101.0	163,223	3.20	86	36	59	11.2
Total Hybrids	$ 1,080,569	103.5%	103.5%	$ 1,118,638	3.90%	108	10	22%	20.0%

(1) Does not include principal payments receivable of $524,000 and $1.0 million at March 31, 2019 and December 31, 2018, respectively.

(2) Weighted average is based on MBS current face at March 31, 2019 and December 31, 2018, respectively.

(3) Weighted average months to reset is the number of months remaining before the coupon interest rate resets. At reset, the MBS coupon will adjust based upon the underlying benchmark interest rate index, margin and periodic or lifetime caps. The months to reset do not reflect scheduled amortization or prepayments.

(4) Interest only represents MBS backed by mortgages currently in their interest-only period. Percentage is based on MBS current face at March 31, 2019 and December 31, 2018, respectively.

Non-Agency MBS

The following table presents information with respect to our Non-Agency MBS at March 31, 2019 and December 31, 2018:

(In Thousands)	March 31, 2019	December 31, 2018
Non-Agency MBS		
Face/Par	$ 3,285,688	$ 3,538,804
Fair Value	3,099,272	3,318,299
Amortized Cost	2,653,931	2,867,703
Purchase Discount Designated as Credit Reserve and OTTI	(501,619) *(1)*	(516,116) *(2)*
Purchase Discount Designated as Accretable	(130,147)	(155,025)
Purchase Premiums	9	40

(1) Includes discount designated as Credit Reserve of $489.1 million and OTTI of $12.5 million.
(2) Includes discount designated as Credit Reserve of $503.3 million and OTTI of $12.8 million.

Purchase Discounts on Non-Agency MBS

The following table presents the changes in the components of purchase discount on Non-Agency MBS with respect to purchase discount designated as Credit Reserve and OTTI, and accretable purchase discount, for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31, 2019		Three Months Ended March 31, 2018	
(In Thousands)	Discount Designated as Credit Reserve and OTTI	Accretable Discount *(1)*	Discount Designated as Credit Reserve and OTTI	Accretable Discount *(1)*
Balance at beginning of period	$ (516,116)	$ (155,025)	$ (593,227)	$ (215,325)
Impact of RMBS Issuer Settlement *(2)*	—	(855)	—	—
Accretion of discount	—	13,307	—	17,216
Realized credit losses	7,504	—	8,447	—
Purchases	—	(118)	(535)	488
Sales	3,191	16,346	5,592	5,105
Transfers/release of credit reserve	3,802	(3,802)	7,143	(7,143)
Balance at end of period	$ (501,619)	$ (130,147)	$ (572,580)	$ (199,659)

(1) Together with coupon interest, accretable purchase discount is recognized as interest income over the life of the security.
(2) Includes the impact of approximately $855,000 of cash proceeds (a one-time payment) received by the Company during the three months ended March 31, 2019 in connection with the settlement of litigation related to certain residential mortgage backed securitization trusts that were sponsored by JP Morgan Chase & Co. and affiliated entities.

The following table presents information with respect to the yield components of our Non-Agency MBS for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31, 2019		Three Months Ended March 31, 2018	
	Legacy Non-Agency MBS	RPL/NPL MBS	Legacy Non-Agency MBS	RPL/NPL MBS
Non-Agency MBS				
Coupon Yield *(1)*	6.78%	4.86%	5.91%	4.35%
Effective Yield Adjustment *(2)*	3.67	0.04	3.53	0.01
Net Yield	10.45%	4.90%	9.44%	4.36%

(1) Reflects the annualized coupon interest income divided by the average amortized cost. The discounted purchase price on Legacy Non-Agency MBS causes the coupon yield to be higher than the pass-through coupon interest rate.
(2) The effective yield adjustment is the difference between the net yield, calculated utilizing management's estimates of timing and amount of future cash flows for Legacy Non-Agency MBS and RPL/NPL MBS, less the current coupon yield.

Actual maturities of MBS are generally shorter than stated contractual maturities because actual maturities of MBS are affected by the contractual lives of the underlying mortgage loans, periodic payments of principal and prepayments of principal. The following table presents certain information regarding the amortized costs, weighted average yields and contractual maturities of our MBS at March 31, 2019 and does not reflect the effect of prepayments or scheduled principal amortization on our MBS:

	Within One Year		One to Five Years		Five to Ten Years		Over Ten Years		Total MBS		
(Dollars in Thousands)	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Total Amortized Cost	Total Fair Value	Weighted Average Yield
Agency MBS:											
Fannie Mae	$ —	—%	$ 172	3.30%	$ 477,150	2.06%	$1,178,077	2.76%	$1,655,399	$1,641,215	2.56%
Freddie Mac	—	—	—	—	297,421	1.92	610,266	3.66	907,687	900,691	3.09
Ginnie Mae	—	—	—	—	80	3.31	4,570	3.71	4,650	4,691	3.70
Total Agency MBS	$ —	—%	$ 172	3.30%	$ 774,651	2.00%	$1,792,913	3.07%	$2,567,736	$2,546,597	2.75%
Non-Agency MBS	$ 46,982	12.47%	$269,419	4.10%	$ 2,197	4.59%	$2,335,333	8.31%	$2,653,931	$3,099,272	7.96%
Total MBS	$ 46,982	12.47%	$269,591	4.10%	$ 776,848	2.01%	$4,128,246	6.04%	$5,221,667	$5,645,869	5.40%

CRT Securities

At March 31, 2019, our total investment in CRT securities was $423.7 million, with a net unrealized gain of $9.9 million, a weighted average yield of 5.42% and a weighted average time to maturity of 11.3 years. At December 31, 2018, our total investment in CRT securities was $492.8 million, with a net unrealized gain of $6.6 million, a weighted average yield of 5.85% and weighted average time to maturity of 9.2 years.

During three months ended March 31, 2019, we sold certain CRT securities for $83.4 million, realizing gains of $6.5 million. The net income impact of these sales, after reversal of previously unrealized gains on CRT securities on which we had elected the fair value option, was approximately $909,000.

Residential Whole Loans

The following table presents the contractual maturities of our residential whole loans held by consolidated trusts and certain entities established in connection with our loan securitization transactions at March 31, 2019 and does not reflect estimates of prepayments or scheduled amortization. For residential Purchased Credit Impaired Loans held at carrying value, amounts presented are estimated based on the underlying loan contractual amounts.

(In Thousands)	Purchased Performing Loans *(1)*	Purchased Credit Impaired Loans	Residential Whole Loans, at Fair Value
Amount due:			
Within one year	$ 484,759	$ 311	$ 8,834
After one year:			
Over one to five years	158,729	4,959	9,196
Over five years	2,307,217	768,671	1,494,307
Total due after one year	$ 2,465,946	$ 773,630	$ 1,503,503
Total residential whole loans	$ 2,950,705	$ 773,941	$ 1,512,337

(1) Excludes an allowance for loan losses of $500,000 at March 31, 2019.

The following table presents, at March 31, 2019, the dollar amount of certain of our residential whole loans, contractually maturing after one year, and indicates whether the loans have fixed interest rates or adjustable interest rates:

(In Thousands)	Purchased Performing Loans *(1)*	Residential Whole Loans, at Fair Value *(1)*
Interest rates:		
Fixed	$ 664,069	$ 946,545
Adjustable	1,801,877	556,958
Total	$ 2,465,946	$ 1,503,503

(1) Includes loans on which borrowers have defaulted and are not making payments of principal and/or interest as of March 31, 2019.

Information is not presented for Purchased Credit Impaired Loans held at carrying value as income is recognized based on pools of assets with similar risk characteristics using an estimated yield based on cash flows expected to be collected over the lives of the loans in such pools rather than on the contractual coupons of the underlying loans.

MSR-Related Assets

At March 31, 2019 and December 31, 2018, we had $753.6 million and $538.5 million, respectively, of term notes issued by SPVs that have acquired the rights to receive cash flows representing the servicing fees and/or excess servicing spread associated with certain MSRs. At March 31, 2019, these term notes had an amortized cost of $753.1 million, gross unrealized gains of approximately $505,230, a weighted average yield of 5.44% and a weighted average term to maturity of 4.4 years. At December 31, 2018, these term notes had an amortized cost of $538.5 million, gross unrealized losses of approximately $7,000, a weighted average yield of 5.32% and a weighted average term to maturity of 4.7 years.

During the year ended December 31, 2018, the Company participated in a loan where the Company committed to lend $100.0 million of which approximately $71.8 million was drawn at March 31, 2019. At March 31, 2019, the coupon paid by the borrower on the drawn amount is 5.87%, the remaining term associated with the loan is 1.4 years and the remaining commitment period on any undrawn amount is 1.4 years.

Exposure to Financial Counterparties

We finance a significant portion of our residential mortgage assets with repurchase agreements. In connection with these financing arrangements, we pledge our assets as collateral to secure the borrowing. The amount of collateral pledged will typically exceed the amount of the financing with the extent of over-collateralization ranging from 3% to 5% of the amount borrowed for Agency MBS collateral, up to 35% for Non-Agency MBS and MSR-related asset collateral, up to 33% for residential whole loan collateral, and up to 35% for other interest-earning assets. Consequently, while repurchase agreement financing results in our recording a liability to the counterparty in our consolidated balance sheets, we are exposed to the counterparty, if during the term of the repurchase agreement financing, a lender should default on its obligation and we are not able to recover our pledged assets. The amount of this exposure is the difference between the amount loaned to us plus interest due to the counterparty and the fair value of the collateral pledged by us to the lender including accrued interest receivable on such collateral.

The table below summarizes our exposure to our counterparties at March 31, 2019, by country:

(Dollars in Thousands)	Number of Counterparties	Repurchase Agreement Financing	Exposure *(1)*	Exposure as a Percentage of MFA Total Assets
European Countries: *(2)*				
Switzerland (3)	2	$ 1,348,313	$ 265,800	2.08%
United Kingdom	2	1,338,714	230,158	1.80
France	2	335,682	92,127	0.72
Holland	1	136,762	10,463	0.08
Total European	7	3,159,471	598,548	4.68%
Other Countries:				
United States	14	$ 3,787,007	$ 835,651	6.53%
Canada (4)	2	923,927	248,677	1.94
South Korea	1	295,962	22,030	0.17
Japan (5)	2	246,420	19,472	0.15
China (5)	1	96,968	8,041	0.06
Total Other	20	5,350,284	1,133,871	8.85%
Total	27	$ 8,509,755	$ 1,732,419	13.53%

(1) Represents for each counterparty the amount of cash and/or securities pledged as collateral less the aggregate of repurchase agreement financing and net interest receivable/payable on all such instruments.

(2) Includes European-based counterparties as well as U.S.-domiciled subsidiaries of the European parent entity.

(3) Includes London branch of one counterparty and Cayman Islands branch of the other counterparty.

(4) Includes Canada-based counterparties as well as U.S.-domiciled subsidiaries of Canadian parent entities. In the case of one counterparty, also includes exposure of $248.7 million to a Barbados-based affiliate of the Canadian parent entity.

(5) Exposure is to U.S.-domiciled subsidiary of the Japanese or Chinese parent entity, as the case may be.

At March 31, 2019, we did not use credit default swaps or other forms of credit protection to hedge the exposures summarized in the table above.

Uncertainty in the global financial market and weak economic conditions in Europe, including as a result of the United Kingdom’s vote to leave the European Union (commonly known as “Brexit”), could potentially impact our major European financial counterparties, with the possibility that this would also impact the operations of their U.S. domiciled subsidiaries. This could adversely affect our financing and operations as well as those of the entire mortgage sector in general. Management monitors our exposure to our repurchase agreement counterparties on a regular basis, using various methods, including review of recent rating agency actions or other developments and by monitoring the amount of cash and securities collateral pledged and the associated loan amount under repurchase agreements with our counterparties. We intend to make reverse margin calls on our counterparties to recover excess collateral as permitted by the agreements governing our financing arrangements, or take other necessary actions to reduce the amount of our exposure to a counterparty when such actions are considered necessary.

Tax Considerations

Current period estimated taxable income

We estimate that for the three months ended March 31, 2019, our taxable income was approximately $88.7 million. Based on dividends paid or declared during the three months ended March 31, 2019, we have undistributed taxable income of approximately $32.0 million, or $0.07 per share. We have until the filing of our 2019 tax return (due not later than October 15, 2020) to declare the distribution of any 2019 REIT taxable income not previously distributed.

Key differences between GAAP net income and REIT Taxable Income for Residential Mortgage Securities and Residential Whole Loans

Our total Non-Agency MBS portfolio for tax differs from our portfolio reported for GAAP primarily due to the fact that for tax purposes: (i) certain of the MBS contributed to the VIEs used to facilitate MBS resecuritization transactions were deemed to be sold; and (ii) the tax basis of underlying MBS considered to be reacquired in connection with the unwind of such transactions became the fair value of such securities at the time of the unwind. For GAAP reporting purposes the underlying MBS that were included in these MBS resecuritization transactions were not considered to be sold. Similarly, for tax purposes the residential whole loans contributed to the VIE used to facilitate our second quarter 2017 loan securitization transaction were deemed to be sold for tax purposes, but not for GAAP reporting purposes. In addition, for our Non-Agency MBS and residential whole loan tax portfolios, potential timing differences arise with respect to the accretion of discount and amortization of premium into income as well as the recognition of realized losses for tax purposes as compared to GAAP. Further, use of fair value accounting for certain residential mortgage securities and residential whole loans for GAAP, but not tax, also gives rise to potential timing differences. Consequently, our REIT taxable income calculated in a given period may differ significantly from our GAAP net income.

The determination of taxable income attributable to Non-Agency MBS and residential whole loans is dependent on a number of factors, including principal payments, defaults, loss mitigation efforts and loss severities. In estimating taxable income for Non-Agency MBS and residential whole loans during the year, management considers estimates of the amount of discount expected to be accreted. Such estimates require significant judgment and actual results may differ from these estimates. Moreover, the deductibility of realized losses from Non-Agency MBS and residential whole loans and their effect on discount accretion and premium amortization are analyzed on an asset-by-asset basis and, while they will result in a reduction of taxable income, this reduction tends to occur gradually and primarily for Non-Agency MBS in periods after the realized losses are reported. In addition, for securitization and resecuritization transactions that were treated as a sale of the underlying MBS or residential whole loans for tax purposes, taxable gain or loss, if any, resulting from the unwind of such transactions is not recognized in GAAP net income.

Securitization transactions result in differences between GAAP net income and REIT Taxable Income

For tax purposes, depending on the transaction structure, a securitization and/or resecuritization transaction may be treated either as a sale or a financing of the underlying collateral. Income recognized from securitization and resecuritization transactions will differ for tax and GAAP purposes. For tax purposes, we own and may in the future acquire interests in securitization and/or resecuritization trusts, in which several of the classes of securities are or will be issued with original issue discount (or OID). As the holder of the retained interests in the trust, we generally will be required to include OID in our current gross interest income over the term of the applicable securities as the OID accrues. The rate at which the OID is recognized into taxable income is calculated using a constant rate of yield to maturity, with realized losses impacting the amount of OID recognized in REIT taxable income once they are actually incurred. Under the Tax Cuts and Jobs Act (or TCJA), the timing of REIT taxable income may be affected by when we include such income for financial accounting purposes. For tax purposes, REIT taxable income may be recognized in excess of economic income (i.e., OID) or in advance of the corresponding cash flow from these assets, thereby affecting our dividend distribution requirement to stockholders. In addition, for securitization and/or resecuritization transactions that were treated as a sale of the underlying collateral for tax purposes, the unwind of any such transaction will likely result in a taxable gain or loss that is likely not recognized in GAAP net income since securitization and resecuritization transactions are typically accounted for as financing transactions for GAAP purposes. The tax basis of underlying residential whole loans or MBS re-acquired in connection with the unwind of such transactions becomes the fair market value of such assets at the time of the unwind.

Regulatory Developments

The U.S. Congress, Federal Reserve, U.S. Treasury, Federal Deposit Insurance Corporation, SEC and other governmental and regulatory bodies have taken and continue to consider additional actions in response to the 2007-2008 financial crisis. In particular, the Dodd-Frank Wall Street Reform and Consumer Protection Act (or the Dodd-Frank Act) created a new regulator, an independent bureau housed within the Federal Reserve System, and known as the Consumer Financial Protection Bureau (or the CFPB). The CFPB has broad authority over a wide range of consumer financial products and services, including mortgage lending and servicing. One portion of the Dodd-Frank Act, the Mortgage Reform and Anti-Predatory Lending Act (or Mortgage Reform Act), contains underwriting and servicing standards for the mortgage industry, restrictions on compensation for mortgage loan originators, and various other requirements related to mortgage origination and servicing. In addition, the Dodd-Frank Act grants enforcement authority and broad discretionary regulatory authority to the CFPB to prohibit or condition terms, acts or practices relating to residential mortgage loans that the CFPB finds abusive, unfair, deceptive or predatory, as well as to take other actions that the CFPB finds are necessary or proper to ensure responsible affordable mortgage credit remains available to consumers. The Dodd-Frank Act also affects the securitization of mortgages (and other assets) with requirements for risk retention by securitizers and requirements for regulating rating agencies.

The Dodd-Frank Act requires that numerous regulations be issued, many of which (including those mentioned above regarding servicing, underwriting and mortgage loan originator compensation) have only recently been implemented and operationalized. As a result, we are unable to fully predict at this time how the Dodd-Frank Act, as well as other laws or regulations that may be adopted in the future, will affect our business, results of operations and financial condition, or the environment for repurchase financing and other forms of borrowing, the investing environment for Agency MBS, Non-Agency MBS and/or residential mortgage loans, the securitization industry, Swaps and other derivatives. However, at a minimum, we believe that the Dodd-Frank Act and the regulations promulgated thereunder are likely to continue to increase the economic and compliance costs for participants in the mortgage and securitization industries, including us.

In addition to the regulatory actions being implemented under the Dodd-Frank Act, on August 31, 2011, the SEC issued a concept release under which it is reviewing interpretive issues related to Section 3(c)(5)(C) of the Investment Company Act. Section 3(c)(5)(C) excludes from the definition of "investment company" entities that are primarily engaged in, among other things, "purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." Many companies that engage in the business of acquiring mortgages and mortgage-related instruments seek to rely on existing interpretations of the SEC Staff with respect to Section 3(c)(5)(C) so as not to be deemed an investment company for the purpose of regulation under the Investment Company Act. In connection with the concept release, the SEC requested comments on, among other things, whether it should reconsider its existing interpretation of Section 3(c)(5)(C). To date the SEC has not taken or otherwise announced any further action in connection with the concept release.

The Federal Housing Finance Agency (or FHFA) and both houses of Congress have discussed and considered separate measures intended to restructure the U.S. housing finance system and the operations of Fannie Mae and Freddie Mac. Congress may continue to consider legislation that would significantly reform the country's mortgage finance system, including, among other things, eliminating Freddie Mac and Fannie Mae and replacing them with a single new MBS insurance agency. Many details remain unsettled, including the scope and costs of the agencies' guarantee and their affordable housing mission, some of which could be addressed even in the absence of large-scale reform. While the likelihood of enactment of major mortgage finance system reform in the short term remains uncertain, it is possible that the adoption of any such reforms could adversely affect the types of assets we can buy, the costs of these assets and our business operations. As the FHFA and both houses of Congress continue to consider various measures intended to dramatically restructure the U.S. housing finance system and the operations of Fannie Mae and Freddie Mac, we expect debate and discussion on the topic to continue throughout 2019. In June 2018, the Trump Administration proposed a plan that would end the conservatorship of Fannie Mae and Freddie Mac and privatize the GSEs. However, we cannot be certain whether alternative plans may be proposed by the Trump Administration or if any housing and/or mortgage-related legislation will emerge from committee, or be approved by Congress, and if so, what the effect would be on our business.

Results of Operations

Quarter Ended March 31, 2019 Compared to the Quarter Ended March 31, 2018

General

For the first quarter of 2019, we had net income available to our common stock and participating securities of $85.1 million, or $0.19 per basic and diluted common share, compared to net income available to common stock and participating securities of $79.6 million, or $0.20 per basic and diluted common share, for the first quarter of 2018. The increase in net income available to common stock and participating securities primarily reflects higher net interest income primarily driven by increased investment in residential whole loans held at carrying value, higher net Other income, which resulted from higher net realized gains on sale of residential mortgage securities and unrealized gains on residential mortgage securities measured at fair value through earnings, partially offset by lower net gains on our residential whole loans measured at fair value through earnings. In addition, operating and other expenses were higher in the current quarter primarily due to higher costs in connection with our residential whole loan portfolio which has grown significantly compared to the prior year period.

For the first quarter of 2019, Core earnings were $0.17 per basic and diluted common share, compared to $0.20 per basic and diluted common share for the first quarter of 2018. Core earnings is a non-GAAP measure of our financial performance and is computed by adjusting GAAP net income available to common and participating securities by excluding the impact of unrealized gains and losses on certain of our investments. For additional information regarding the calculation of Core earnings, refer to page 71, under the heading “Core Earnings”.

Net Interest Income

Net interest income represents the difference between income on interest-earning assets and expense on interest-bearing liabilities. Net interest income depends primarily upon the volume of interest-earning assets and interest-bearing liabilities and the corresponding interest rates earned or paid. Our net interest income varies primarily as a result of changes in interest rates, the slope of the yield curve (i.e., the differential between long-term and short-term interest rates), borrowing costs (i.e., our interest expense) and prepayment speeds on our investments. Interest rates and CPRs (which measure the amount of unscheduled principal prepayment on a bond or loan as a percentage of its unpaid balance) vary according to the type of investment, conditions in the financial markets, and other factors, none of which can be predicted with any certainty.

The changes in average interest-earning assets and average interest-bearing liabilities and their related yields and costs are discussed in greater detail below under “Interest Income” and “Interest Expense.”

For the first quarter of 2019, our net interest spread and margin were 1.98% and 2.41%, respectively, compared to a net interest spread and margin of 2.25% and 2.64%, respectively, for the first quarter of 2018. Our net interest income increased by $8.7 million, or 16.4%, to $61.9 million for the first quarter of 2019, from $53.2 million for the first quarter of 2018. Current quarter net interest income from residential whole loans held at carrying value and RPL/NPL MBS increased by approximately $20.1 million compared to the first quarter of 2018, primarily due to higher average amounts invested in these assets. These increases were offset by lower net interest income from Legacy Non-Agency MBS, CRT securities and Agency MBS compared to the first quarter of 2018 by approximately $9.8 million, primarily due to lower average amounts invested in these securities and higher funding costs, partially offset by higher yields earned on our Legacy Non-Agency MBS and Agency MBS portfolios. In addition, net interest income also includes $10.8 million of interest expense associated with residential whole loans held at fair value, reflecting a $2.1 million increase in borrowing costs related to these investments compared to the first quarter of 2018. Coupon interest income received from residential whole loans at fair value is presented as a component of the total income earned on these investments and therefore is included in Other Income, net rather than net interest income.

Analysis of Net Interest Income

The following table sets forth certain information about the average balances of our assets and liabilities and their related yields and costs for the three months ended March 31, 2019 and 2018. Average yields are derived by dividing annualized interest income by the average amortized cost of the related assets, and average costs are derived by dividing annualized interest expense by the daily average balance of the related liabilities, for the periods shown. The yields and costs include premium amortization and purchase discount accretion which are considered adjustments to interest rates.

	Three Months Ended March 31,					
	2019			2018		
(Dollars in Thousands)	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Assets:						
Interest-earning assets:						
Agency MBS *(1)*	$ 2,667,573	$ 18,441	2.77%	$ 2,774,118	$ 15,293	2.21%
Legacy Non-Agency MBS *(1)*	1,432,014	37,416	10.45	1,950,160	46,036	9.44
RPL/NPL MBS *(1)*	1,353,954	16,585	4.90	923,687	10,066	4.36
Total MBS	5,453,541	72,442	5.31	5,647,965	71,395	5.06
CRT securities *(1)*	441,528	6,200	5.62	621,056	9,496	6.12
Residential whole loans, at carrying value *(2)*	3,368,325	49,620	5.89	987,082	14,329	5.81
MSR-related assets *(1)*	788,705	10,620	5.39	478,974	7,623	6.37
Cash and cash equivalents *(3)*	156,306	764	1.96	330,460	909	1.10
Other interest-earning assets	89,648	1,306	5.83	—	—	—
Total interest-earning assets	10,298,053	140,952	5.47	8,065,537	103,752	5.15
Total non-interest-earning assets	2,494,610			2,791,814		
Total assets	$ 12,792,663			$ 10,857,351		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Total repurchase agreements *(4)*	$ 8,282,621	$ 70,809	3.42%	$ 6,519,390	$ 45,717	2.80%
Securitized debt	675,678	6,206	3.67	357,819	2,827	3.16
Senior Notes	96,819	2,011	8.31	96,776	2,010	8.31
Total interest-bearing liabilities	9,055,118	79,026	3.49	6,973,985	50,554	2.90
Total non-interest-bearing liabilities	320,586			636,386		
Total liabilities	9,375,704			7,610,371		
Stockholders' equity	3,416,959			3,246,980		
Total liabilities and stockholders' equity	$ 12,792,663			$ 10,857,351		
Net interest income/net interest rate spread *(5)*		$ 61,926	1.98%		$ 53,198	2.25%
Net interest-earning assets/net interest margin *(6)*	$ 1,242,935		2.41%	$ 1,091,552		2.64%

(1) Yields presented throughout this Quarterly Report on Form 10-Q are calculated using average amortized cost data for securities which excludes unrealized gains and losses and includes principal payments receivable on securities. For GAAP reporting purposes, purchases and sales are reported on the trade date. Average amortized cost data used to determine yields is calculated based on the settlement date of the associated purchase or sale as interest income is not earned on purchased assets and continues to be earned on sold assets until settlement date.

(2) Excludes residential whole loans held at fair value that are reported as a component of total non-interest-earning assets.

(3) Includes average interest-earning cash, cash equivalents and restricted cash.

(4) Average cost of repurchase agreements includes the cost of Swaps allocated based on the proportionate share of the overall estimated weighted average portfolio duration.

(5) Net interest rate spread reflects the difference between the yield on average interest-earning assets and average cost of funds.

(6) Net interest margin reflects annualized net interest income divided by average interest-earning assets.

Rate/Volume Analysis

The following table presents the extent to which changes in interest rates (yield/cost) and changes in the volume (average balance) of interest-earning assets and interest-bearing liabilities have affected our interest income and interest expense during the periods indicated. Information is provided in each category with respect to: (i) the changes attributable to changes in volume (changes in average balance multiplied by prior rate); (ii) the changes attributable to changes in rate (changes in rate multiplied by prior average balance); and (iii) the net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately, based on absolute values, to the changes due to rate and volume.

	Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018		
	Increase/(Decrease) due to		Total Net Change in Interest Income/Expense
(In Thousands)	**Volume**	**Rate**	
Interest-earning assets:			
Agency MBS	$ (611)	$ 3,759	$ 3,148
Legacy Non-Agency MBS	(13,159)	4,539	(8,620)
RPL/NPL MBS	5,149	1,370	6,519
CRT securities	(2,570)	(726)	(3,296)
Residential whole loans, at carrying value *(1)*	35,076	215	35,291
MSR-related assets	4,317	(1,320)	2,997
Cash and cash equivalents	(629)	484	(145)
Other interest-earning assets	1,306	—	1,306
Total net change in income from interest-earning assets	$ 28,879	$ 8,321	$ 37,200
Interest-bearing liabilities:			
Agency repurchase agreements	$ (104)	$ 3,758	$ 3,654
Legacy Non-Agency repurchase agreements	(2,522)	35	(2,487)
RPL/NPL MBS repurchase agreements	4,193	808	5,001
CRT securities repurchase agreements	(812)	644	(168)
MSR-related assets repurchase agreements	2,705	247	2,952
Residential whole loans at carrying value repurchase agreements	16,057	489	16,546
Residential whole loans at fair value repurchase agreements	(1,964)	802	(1,162)
Other repurchase agreements	756	—	756
Securitized debt	2,856	523	3,379
Senior Notes	1	—	1
Total net change in expense of interest-bearing liabilities	$ 21,166	$ 7,306	$ 28,472
Net change in net interest income	$ 7,713	$ 1,015	$ 8,728

(1) Excludes residential whole loans held at fair value which are reported as a component of non-interest-earning assets.

The following table presents certain quarterly information regarding our net interest spread and net interest margin for the quarterly periods presented:

	Total Interest-Earning Assets and Interest-Bearing Liabilities	
Quarter Ended	Net Interest Spread *(1)*	Net Interest Margin *(2)*
March 31, 2019	1.98%	2.41%
December 31, 2018	2.17	2.60
September 30, 2018	2.41	2.82
June 30, 2018	2.30	2.66
March 31, 2018	2.25	2.64

(1) Reflects the difference between the yield on average interest-earning assets and average cost of funds.
(2) Reflects annualized net interest income divided by average interest-earning assets.

The following table presents the components of the net interest spread earned on our Agency MBS, Legacy Non-Agency MBS and RPL/NPL MBS for the quarterly periods presented:

	Agency MBS			Legacy Non-Agency MBS			RPL/NPL MBS			Total MBS		
Quarter Ended	Net Yield *(1)*	Cost of Funding *(2)*	Net Interest Rate Spread *(3)*	Net Yield *(1)*	Cost of Funding *(2)*	Net Interest Rate Spread *(3)*	Net Yield *(1)*	Cost of Funding *(2)*	Net Interest Rate Spread *(3)*	Net Yield *(1)*	Cost of Funding *(2)*	Net Interest Rate Spread *(3)*
March 31, 2019	2.77%	2.53%	0.24 %	10.45%	3.30%	7.15%	4.90%	3.43%	1.47%	5.31%	2.95%	2.36%
December 31, 2018	2.72	2.36	0.36	10.65	3.30	7.35	4.82	3.27	1.55	5.36	2.82	2.54
September 30, 2018	2.21	2.22	(0.01)	10.76	3.29	7.47	5.01	3.10	1.91	5.49	2.73	2.76
June 30, 2018	2.03	2.04	(0.01)	9.89	3.30	6.59	4.52	3.19	1.33	5.16	2.64	2.52
March 31, 2018	2.21	1.91	0.30	9.44	3.29	6.15	4.36	2.94	1.42	5.06	2.53	2.53

(1) Reflects annualized interest income on MBS divided by average amortized cost of MBS.
(2) Reflects annualized interest expense divided by average balance of repurchase agreements, including the cost of Swaps allocated based on the proportionate share of the overall estimated weighted average portfolio duration and securitized debt. Agency MBS cost of funding includes (13), (5), 6, 9, and 26 basis points and Legacy Non-Agency MBS cost of funding includes (20), (4), 5, 8, and 30 basis points associated with Swaps to hedge interest rate sensitivity on these assets for the quarters ended March 31, 2019, December 31, 2018, September 30, 2018, June 30, 2018 and March 31, 2018, respectively.
(3) Reflects the difference between the net yield on average MBS and average cost of funds on MBS.

Interest Income

Interest income on our Agency MBS for the first quarter of 2019 increased by $3.1 million, or 20.6%, to $18.4 million from $15.3 million for the first quarter of 2018. This increase primarily reflects an increase in the net yield on our Agency MBS to 2.77% for the first quarter of 2019 from 2.21% for the first quarter of 2018 partially offset by a $106.5 million decrease in the average amortized cost of our Agency MBS portfolio, due primarily to portfolio run-off, to $2.7 billion for the first quarter of 2019 from $2.8 billion for the first quarter of 2018. At the end of the first quarter of 2019, the average coupon on mortgages underlying our Agency MBS was higher compared to the end of the first quarter of 2018. In addition, for the first quarter of 2019, our Agency MBS portfolio experienced a 13.6% CPR and we recognized $6.2 million of net premium amortization compared to a CPR of 12.7% and $5.7 million of net premium amortization for the first quarter of 2018. At March 31, 2019, we had net purchase premiums on our Agency MBS of $96.8 million, or 3.9% of current par value, compared to net purchase premiums of $103.0 million, or 3.9% of par value, at December 31, 2018.

Interest income on our Non-Agency MBS decreased $2.1 million, or 3.7%, for the first quarter of 2019 to $54.0 million compared to $56.1 million for the first quarter of 2018. This decrease is primarily due to portfolio run-off and sales, which resulted in a decrease in the average amortized cost of our Non-Agency MBS portfolio of $87.9 million, or 3.1%, to $2.8 billion for the first quarter of 2019 from $2.9 billion for the first quarter of 2018. This decrease more than offset the impact of the higher yields generated on our Legacy Non-Agency MBS portfolio, which were 10.45% for the first quarter of 2019 compared to 9.44% for the first quarter of 2018. The increase in the net yield on our Legacy Non-Agency MBS portfolio reflects changes in interest rates since the first quarter of the prior year, the improved performance of loans underlying the Legacy Non-Agency MBS portfolio, which has resulted in credit reserve releases and higher accretion income recognized in the current quarter due the impact of the cash proceeds received during 2018 in connection with the settlement of litigation related to certain residential mortgage backed securitization trusts that were sponsored by JP Morgan Chase & Co. and affiliated entities and Lehman Brothers Holdings Inc. Our RPL/NPL MBS portfolio yielded 4.90% for the first quarter of 2019 compared to 4.36% for the first quarter of 2018. The increase in the net yield primarily reflects an increase in the average coupon yield to 4.86% for the first quarter of 2019 from 4.35% for the first quarter of 2018.

During the first quarter of 2019, we recognized net purchase discount accretion of $13.3 million on our Non-Agency MBS, compared to $17.2 million for the first quarter of 2018. At March 31, 2019, we had net purchase discounts of $631.3 million, including Credit Reserve and previously recognized OTTI of $502.7 million, on our Legacy Non-Agency MBS, or 31.6% of par value. During the first quarter of 2019 we reallocated $3.8 million of purchase discount designated as Credit Reserve to accretable purchase discount.

The following table presents the coupon yield and net yields earned on our Agency MBS, Legacy Non-Agency MBS and RPL/NPL MBS and weighted average CPRs experienced for such MBS for the quarterly periods presented:

	Agency MBS			Legacy Non-Agency MBS			RPL/NPL MBS		
Quarter Ended	**Coupon Yield *(1)***	**Net Yield *(2)***	**3 Month Average CPR *(3)***	**Coupon Yield *(1)***	**Net Yield *(2)***	**3 Month Average CPR *(3)***	**Coupon Yield *(1)***	**Net Yield *(2)***	**3 Month Average Bond CPR *(4)***
March 31, 2019	3.69%	2.77%	13.6%	6.78%	10.45%	12.7%	4.86%	4.90%	11.6%
December 31, 2018	3.58	2.72	12.5	6.64	10.65	14.7	4.75	4.82	12.9
September 30, 2018	3.32	2.21	16.8	6.32	10.76	16.8	4.56	5.01	19.6
June 30, 2018	3.09	2.03	16.2	6.09	9.89	15.8	4.49	4.52	20.4
March 31, 2018	3.02	2.21	12.7	5.91	9.44	14.9	4.35	4.36	14.0

(1) Reflects the annualized coupon interest income divided by the average amortized cost. The discounted purchase price on Legacy Non-Agency MBS causes the coupon yield to be higher than the pass-through coupon interest rate.

(2) Reflects annualized interest income on MBS divided by average amortized cost of MBS.

(3) 3 month average CPR weighted by positions as of the beginning of each month in the quarter.

(4) All principal payments are considered to be prepayments for CPR purposes.

Interest income on our residential whole loans held at carrying value increased by $35.3 million, or 246.3%, for the first quarter of 2019, to $49.6 million compared to $14.3 million for the first quarter of 2018. This increase primarily reflects a $2.4 billion increase in the average balance of this portfolio to $3.4 billion for the first quarter of 2019 from $987.1 million for the first quarter of 2018 and an increase in the yield (net of servicing costs) to 5.89% for the first quarter of 2019 from 5.81% for the first quarter of 2018.

Interest Expense

Our interest expense for the first quarter of 2019 increased by $28.5 million, or 56.3%, to $79.0 million from $50.6 million for the first quarter of 2018. This increase primarily reflects an increase in financing rates on our repurchase agreement financings, an increase in our average borrowings and securitized debt to finance residential whole loans held at carrying value, RPL/NPL MBS and MSR-related assets, which was partially offset by a decrease in our average repurchase agreement borrowings to finance our Legacy Non-Agency MBS and Agency MBS portfolios, residential whole loans held at fair value and CRT securities. The effective interest rate paid on our borrowings increased to 3.49% for the quarter ended March 31, 2019 from 2.90% for the quarter ended March 31, 2018.

Payments made and/or received on our Swaps designated as hedges for accounting purposes are a component of our borrowing costs and resulted in a reduction in interest expense of $1.2 million, or 5 basis points, for the first quarter of 2019, as compared to an increase in interest expense of $2.8 million, or 16 basis points, for the first quarter of 2018. The weighted average fixed-pay rate on our Swaps designated as hedges increased to 2.31% for the quarter ended March 31, 2019 from 2.04% for the quarter ended and March 31, 2018. The weighted average variable interest rate received on our Swaps designated as hedges increased to 2.49% for the quarter ended March 31, 2019 from 1.60% for the quarter ended March 31, 2018.

Other Income, net

For the first quarter of 2019, Other Income, net increased by $3.5 million, or 7.4%, to $51.2 million compared to $47.7 million for the first quarter of 2018. The components of Other Income, net for the first quarter of 2019 and 2018 are summarized in the table below:

	Quarter Ended March 31,	
(In Thousands)	**2019**	**2018**
Net gains on residential whole loans measured at fair value through earnings	$ 25,267	$ 38,498
Net realized gains on residential mortgage securities sold	24,609	8,817
Net unrealized gain/(loss) on residential mortgage securities measured at fair value through earnings	8,672	(880)
Liquidation gains on Purchased Credit Impaired Loans and other loan related income	2,807	2,505
Net loss on Swaps not designated as hedges for accounting purposes	(8,944)	—
Net loss on REO properties	(1,929)	(1,351)
OTTI and other	687	71
Total Other Income, net	$ 51,169	$ 47,660

Operating and Other Expense

For the first quarter of 2019, we had compensation and benefits and other general and administrative expenses of $13.2 million, or 1.55% of average equity, compared to $10.6 million, or 1.30% of average equity, for the first quarter of 2018. Compensation and benefits expense increased by approximately $1.8 million to $8.6 million for the first quarter of 2019, compared to $6.7 million for the first quarter of 2018, primarily due to higher salary expense, incentive compensation and expense recognized in connection with long term incentive awards that were granted earlier in the current quarter than in the prior year end period. Our other general and administrative expenses increased by $813,000 to $4.6 million for the quarter ended March 31, 2019 compared to $3.8 million for the quarter ended March 31, 2018 primarily due to higher professional services related costs and higher costs associated with deferred compensation to Directors in the current year period, which were impacted this quarter by changes in the Company’s stock price.

Operating and Other Expense for the first quarter of 2019 also includes $11.0 million of loan servicing and other related operating expenses related to our residential whole loan activities. These expenses increased compared to the prior year period by approximately $4.2 million, or 60.4%, primarily due to increases in non-recoverable advances on REO as well higher servicing and related fees associated with this portfolio. In addition, the current year period included a provision for loan losses recorded against Purchased Performing Loans and an increase in the allowance for loan losses on Purchased Credit Impaired residential whole loans.

Selected Financial Ratios

The following table presents information regarding certain of our financial ratios at or for the dates presented:

At or for the Quarter Ended	Return on Average Total Assets *(1)*	Return on Average Total Stockholders' Equity *(2)*	Total Average Stockholders' Equity to Total Average Assets *(3)*	Dividend Payout Ratio *(4)*	Leverage Multiple *(5)*	Book Value per Share of Common Stock *(6)*
March 31, 2019	2.66%	10.40%	26.71%	1.05	2.7	$ 7.11
December 31, 2018	1.87	6.96	28.65	1.54	2.6	7.15
September 30, 2018	2.94	10.21	30.15	1.05	2.3	7.46
June 30, 2018	2.58	8.74	31.19	1.18	2.3	7.54
March 31, 2018	2.93	10.27	29.91	1.00	2.2	7.62

(1) Reflects annualized net income available to common stock and participating securities divided by average total assets.

(2) Reflects annualized net income divided by average total stockholders' equity.

(3) Reflects total average stockholders' equity divided by total average assets.

(4) Reflects dividends declared per share of common stock divided by earnings per share.

(5) Represents the sum of borrowings under repurchase agreements, securitized debt, payable for unsettled purchases, obligations to return securities obtained as collateral and Senior Notes divided by stockholders' equity.

(6) Reflects total stockholders' equity less the preferred stock liquidation preference divided by total shares of common stock outstanding.

Core Earnings

Reconciliation of GAAP and Non-GAAP Financial Measures

"Core earnings" is a non-GAAP financial measure of our operating performance, within the meaning of Regulation G and Item 10(e) of Regulation S-K, as promulgated by the Securities and Exchange Commission. Core earnings excludes certain unrealized gains and losses that we are required to include in GAAP Net Income each period because management believes that these items, which to date have typically resulted from short-term market volatility or other market technical factors and not due to changes in fundamental asset cash flows, are not reflective of the economic income generated by our investment portfolio. Accordingly, we believe that the adjustments to compute Core earnings specified below better allow investors and analysts to evaluate our financial results, including by analyzing changes in our Core earnings between periods. In addition to using Core earnings in the evaluation of investment portfolio performance over time, Management considers estimates of periodic Core earnings as an input to the determination of the level of quarterly dividends to common shareholders that are recommended to the Board of Directors for approval and in its forecasting and decision-making processes relating to the allocation of capital between different asset classes.

We believe that Core earnings provides useful supplemental information to both management and investors in evaluating our financial results. Core earnings should be used in conjunction with results presented in accordance with GAAP. Core earnings does not represent and should not be considered as a substitute for Net Income or Cash Flows from Operating Activities, each as determined in accordance with GAAP, and our calculation of this measure may not be comparable to similarly titled measures reported by other companies.

The following table provides a reconciliation of our GAAP net income available to common stock and participating securities to our non-GAAP Core earnings for the three months ended March 31, 2019 and 2018:

(In Thousands, Except Per Share Amounts)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
GAAP Net Income Available to Common Stock and Participating Securities	$ 85,107	$ 79,645
Adjustments:		
Unrealized (gain)/loss on CRT securities measured at fair value through earnings	(2,690)	880
Unrealized net (gain) on Agency MBS measured at fair value through earnings and related swaps that are not accounted for as hedging transactions	(4,840)	—
Total adjustments	$ (7,530)	$ 880
Core earnings	$ 77,577	$ 80,525
GAAP earnings per common share	$ 0.19	$ 0.20
Core earnings per common share	$ 0.17	$ 0.20
Weighted average common shares for earnings per share	450,358	398,317

Recent Accounting Standards to Be Adopted in Future Periods

Financial Instruments - Credit Losses - Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* (or ASU 2016-13). The amendments in ASU 2016-13 require entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. Entities will now use forward-looking information to better inform their credit loss estimates. ASU 2016-13 also requires enhanced financial statement disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an entity's portfolio. ASU 2016-13 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for all entities for annual periods beginning after December 15, 2018, and interim periods therein. The amendments in this ASU are required to be applied by recording a cumulative-effect adjustment to equity as of the beginning of the first reporting period in which the guidance is effective. A prospective transition approach is required for debt securities for which an OTTI had been recognized before the effective date. We are currently in the process of updating our system and processes to meet the new requirements of this ASU. We will continue to monitor and evaluate the potential effects that ASU 2016-13 will have on our consolidated financial statements and related disclosures.

Under ASU 2016-13, credit losses for available-for-sale debt securities should be measured in a manner similar to current GAAP. However, the amendments in this ASU require that credit losses be recorded through an allowance for credit losses, which will allow subsequent reversals in credit loss estimates to be recognized in current income. In addition, the allowance on available-for-sale debt securities will be limited to the extent that the fair value is less than the amortized cost. Based on our initial evaluation of the amendments in this ASU, we anticipate being required to make changes to the way we account for credit impairment losses on our available-for-sale debt securities. Under our current accounting, credit impairment losses are generally required to be recorded as OTTI, which directly reduce the carrying amount of impaired securities, and are recorded in earnings and are not reversed if expected cash flows subsequently recover. Under the new guidance, credit impairments on such securities will be recorded as an allowance for credit losses that are also recorded in earnings, but the allowance can be reversed through earnings in a subsequent period if expected cash flows subsequently recover. We do not expect that transaction to the new available for sale debt securities guidance will result in a material change to our retained earnings.

In addition, we expect that the new guidance will also result in changes to the accounting and presentation of our residential whole loans held at carrying value. We currently anticipate that, upon adoption, the guidance will result in an increase in the gross carrying amount of our Purchased Credit Impaired Loans held at carrying value by the amount of the allowance for loan losses calculated under the new guidance. Thereafter, changes in the expected cash flows of such assets are expected to result in the recognition (or reversal) of an allowance for loan losses that will impact earnings. In addition, we expect that the guidance will result in an increase in the allowance for credit losses for our Purchased Performing Loans held at carrying value, with a resulting negative adjustment to retained earnings.

Liquidity and Capital Resources

General

Our principal sources of cash generally consist of borrowings under repurchase agreements and other collateralized financings, payments of principal and interest we receive on our investment portfolio, cash generated from our operating results and, to the extent such transactions are entered into, proceeds from capital market and structured financing transactions. Our most significant uses of cash are generally to pay principal and interest on our financing transactions, to purchase residential mortgage assets, to make dividend payments on our capital stock, to fund our operations and to make other investments that we consider appropriate.

We seek to employ a diverse capital raising strategy under which we may issue capital stock and other types of securities. To the extent we raise additional funds through capital market transactions, we currently anticipate using the net proceeds from such transactions to acquire additional residential mortgage-related assets, consistent with our investment policy, and for working capital, which may include, among other things, the repayment of our financing transactions. There can be no assurance, however, that we will be able to access the capital markets at any particular time or on any particular terms. We have available for issuance an unlimited amount (subject to the terms and limitations of our charter) of common stock, preferred stock, depositary shares representing preferred stock, warrants, debt securities, rights and/or units pursuant to our automatic shelf registration statement and, at March 31, 2019, we had approximately 11.7 million shares of common stock available for issuance pursuant to our DRSPP shelf registration statement. During the three months ended March 31, 2019, we issued 74,463 shares of common stock through our DRSPP, raising net proceeds of approximately $545,000. During 2018, we issued approximately 50.9 million shares of common stock in a public offering, generating net proceeds of approximately $389.4 million.

Our borrowings under repurchase agreements are uncommitted and renewable at the discretion of our lenders and, as such, our lenders could determine to reduce or terminate our access to future borrowings at virtually any time. The terms of the repurchase transaction borrowings under our master repurchase agreements, as such terms relate to repayment, margin requirements and the segregation of all securities that are the subject of repurchase transactions, generally conform to the terms contained in the standard master repurchase agreement published by the Securities Industry and Financial Markets Association (or SIFMA) or the global master repurchase agreement published by SIFMA and the International Capital Market Association. In addition, each lender typically requires that we include supplemental terms and conditions to the standard master repurchase agreement. Typical supplemental terms and conditions, which differ by lender, may include changes to the margin maintenance requirements, required haircuts (as defined below), purchase price maintenance requirements, requirements that all controversies related to the repurchase agreement be litigated in a particular jurisdiction and cross default and setoff provisions.

With respect to margin maintenance requirements for repurchase agreements secured by harder to value assets, such as Non-Agency MBS, residential whole loans and MSR-related assets, margin calls are typically determined by our counterparties based on their assessment of changes in the fair value of the underlying collateral and in accordance with the agreed upon haircuts specified in the transaction confirmation with the counterparty. We address margin call requests in accordance with the required terms specified in the applicable repurchase agreement and such requests are typically satisfied by posting additional cash or collateral on the same business day. We review margin calls made by counterparties and assess them for reasonableness by comparing the counterparty valuation against our valuation determination. When we believe that a margin call is unnecessary because our assessment of collateral value differs from the counterparty valuation, we typically hold discussions with the counterparty and are able to resolve the matter. In the unlikely event that resolution cannot be reached, we will look to resolve the dispute based on the remedies available to us under the terms of the repurchase agreement, which in some instances may include the engagement of a third-party to review collateral valuations. For other agreements that do not include such provisions, we could resolve the matter by substituting collateral as permitted in accordance with the agreement or otherwise request the counterparty to return the collateral in exchange for cash to unwind the financing.

The following tables present information regarding the margin requirements, or the percentage amount by which the collateral value is contractually required to exceed the loan amount (this difference is referred to as the "haircut"), on our repurchase agreements at March 31, 2019 and December 31, 2018:

At March 31, 2019	Weighted Average Haircut	Low	High
Repurchase agreement borrowings secured by:			
Agency MBS	4.49%	3.00%	5.00%
Legacy Non-Agency MBS	20.50	15.00	35.00
RPL/NPL MBS	21.23	15.00	30.00
CRT securities	19.49	17.00	25.00
Residential whole loans	15.54	8.00	33.00
MSR-related assets	21.35	20.00	30.00
Other	21.61	20.00	35.00

At December 31, 2018	Weighted Average Haircut	Low	High
Repurchase agreement borrowings secured by:			
Agency MBS	4.60%	3.00%	5.00%
Legacy Non-Agency MBS	21.38	15.00	35.00
RPL/NPL MBS	21.31	15.00	30.00
CRT securities	20.01	17.00	25.00
Residential whole loans	16.55	8.00	33.00
MSR-related assets	21.88	20.00	30.00
Other	21.15	20.00	35.00

During the first three months of 2019, the weighted average haircut requirements for the respective underlying collateral types for our repurchase agreements have remained fairly consistent compared to the end of 2018.

Repurchase agreement funding for our residential mortgage investments has been available to us at generally attractive market terms from multiple counterparties. Typically, due to the risks inherent in credit sensitive residential mortgage investments, repurchase agreement funding involving such investments is available at terms requiring higher collateralization and higher interest rates than repurchase agreement funding secured by Agency MBS. Therefore, we generally expect to be able to finance our acquisitions of Agency MBS on more favorable terms than financing for credit sensitive investments.

We maintain cash and cash equivalents, unpledged Agency and Non-Agency MBS and collateral in excess of margin requirements held by our counterparties (or collectively, "cash and other unpledged collateral") to meet routine margin calls and protect against unforeseen reductions in our borrowing capabilities. Our ability to meet future margin calls will be impacted by our ability to use cash or obtain financing from unpledged collateral, which can vary based on the market value of such collateral, our cash position and margin requirements. Our cash position fluctuates based on the timing of our operating, investing and financing activities and is managed based on our anticipated cash needs. (See our Consolidated Statements of Cash Flows, included under Item 1 of this Quarterly Report on Form 10-Q and "Interest Rate Risk" included under Item 3 of this Quarterly Report on Form 10-Q.)

At March 31, 2019, we had a total of $10.2 billion of MBS, CRT securities, residential whole loans and MSR-related assets and $42.0 million of restricted cash pledged against our repurchase agreements and Swaps. At March 31, 2019, we have access to various sources of liquidity which we estimate exceeds $217.4 million. This includes (i) $76.6 million of cash and cash equivalents; (ii) $78.7 million in estimated financing available from unpledged Agency MBS and other Agency MBS collateral that is currently pledged in excess of contractual requirements; and (iii) $62.1 million in estimated financing available from unpledged Non-Agency MBS and from other Non-Agency MBS and CRT collateral that is currently pledged in excess of contractual requirements. Our sources of liquidity do not include restricted cash. In addition, we have $1.1 billion of unencumbered residential whole loans. We are evaluating potential opportunities to finance these assets, including loan securitization.

The table below presents certain information about our borrowings under repurchase agreements and securitized debt:

	Repurchase Agreements			Securitized Debt		
Quarter Ended *(1)*	Quarterly Average Balance	End of Period Balance	Maximum Balance at Any Month-End	Quarterly Average Balance	End of Period Balance	Maximum Balance at Any Month-End
(In Thousands)						
March 31, 2019	$ 8,282,621	$ 8,509,713	$ 8,509,713	$ 675,678	$ 659,184	$ 679,269
December 31, 2018	7,672,309	7,879,087	7,879,087	699,207	684,420	702,377
September 30, 2018	6,594,050	7,278,270	7,278,270	665,572	714,203	744,521
June 30, 2018	6,189,916	5,892,228	6,319,178	432,283	518,655	523,490
March 31, 2018	6,519,390	6,558,860	6,558,860	357,819	351,278	361,002

(1) The information presented in the table above excludes Senior Notes issued in April 2012. The outstanding balance of Senior Notes has been unchanged at $100.0 million since issuance.

Cash Flows and Liquidity for the Three Months Ended March 31, 2019

Our cash, cash equivalents and restricted cash increased by $29.9 million during the three months ended March 31, 2019, reflecting: $497.5 million used in our investing activities; $490.2 million provided by our financing activities; and $37.1 million provided by our operating activities.

At March 31, 2019, our debt-to-equity multiple was 2.7 times compared to 2.6 times at December 31, 2018. At March 31, 2019, we had borrowings under repurchase agreements of $8.5 billion with 26 counterparties, of which $2.4 billion were secured by Agency MBS, $1.4 billion were secured by Legacy Non-Agency MBS, $1.0 billion were secured by RPL/NPL MBS, $338.8 million were secured by CRT securities, $2.7 billion were secured by residential whole loans, $647.5 million were secured by MSR-related assets and $54.4 million were secured by other interest-earning assets. We continue to have available capacity under our repurchase agreement credit lines. In addition, at March 31, 2019, we had securitized debt of $659.2 million in connection with our loan securitization transactions. At December 31, 2018, we had borrowings under repurchase agreements of $7.9 billion with 26 counterparties, of which $2.4 billion were secured by Agency MBS, $1.4 billion were secured by Legacy Non-Agency MBS, $1.1 billion were secured by RPL/NPL MBS, $391.6 million were secured by CRT securities, $2.0 billion were secured by residential whole loans, $474.1 million were secured by MSR-related assets and $76.4 million were secured by other interest-earning assets. In addition, at December 31, 2018, we had securitized debt of $684.4 million in connection with our loan securitization transactions.

During the three months ended March 31, 2019, $497.5 million was used in our investing activities. We paid $1.0 billion for purchases of residential whole loans, loan related investments and capitalized advances, and purchased $219.9 million of MSR-related assets, $102.8 million of Non-Agency MBS, and $4.5 million of CRT securities funded with cash and repurchase agreement borrowings. In addition, during the three months ended March 31, 2019, we received cash of $391.6 million from prepayments and scheduled amortization on our MBS, CRT securities and MSR-related assets, of which $160.7 million was attributable to Agency MBS, $224.0 million was from Non-Agency MBS, and $6.9 million was attributable to MSR-related assets, and we sold certain of our investment securities for $208.3 million, realizing net gains of $24.6 million. While we generally intend to hold our MBS and CRT securities as long-term investments, we may sell certain of our securities in order to manage our interest rate risk and liquidity needs, meet other operating objectives and adapt to market conditions. During the three months ended March 31, 2019 we received $233.7 million of principal payments on residential whole loans and $24.0 million of proceeds on sales of REO.

In connection with our repurchase agreement borrowings and Swaps, we routinely receive margin calls/reverse margin calls from our counterparties and make margin calls to our counterparties. Margin calls and reverse margin calls, which requirements vary over time, may occur daily between us and any of our counterparties when the value of collateral pledged changes from the amount contractually required. The value of securities pledged as collateral fluctuates reflecting changes in: (i) the face (or par) value of our assets; (ii) market interest rates and/or other market conditions; and (iii) the market value of our Swaps. Margin calls/reverse margin calls are satisfied when we pledge/receive additional collateral in the form of additional assets and/or cash.

The table below summarizes our margin activity with respect to our repurchase agreement financings and derivative hedging instruments for the quarterly periods presented:

For the Quarter Ended *(1)*	Collateral Pledged to Meet Margin Calls: Fair Value of Securities Pledged	Collateral Pledged to Meet Margin Calls: Cash Pledged	Collateral Pledged to Meet Margin Calls: Aggregate Assets Pledged For Margin Calls	Cash and Securities Received for Reverse Margin Calls	Net Assets Received/ (Pledged) for Margin Activity
(In Thousands)					
March 31, 2019	$ 49,139	$ —	$ 49,139	$ 65,461	$ 16,322
December 31, 2018	14,452	—	14,452	23,760	9,308
September 30, 2018	61,492	3,005	64,497	8,294	(56,203)
June 30, 2018	44,278	—	44,278	20,001	(24,277)
March 31, 2018	40,831	—	40,831	18,835	(21,996)

(1) Excludes variation margin payments on the Company’s cleared Swaps which are treated as a legal settlement of the exposure under the Swap contract.

We are subject to various financial covenants under our repurchase agreements and derivative contracts, which include minimum net worth and/or profitability requirements, maximum debt-to-equity ratios and minimum market capitalization requirements. We have maintained compliance with all of our financial covenants through March 31, 2019.

During the three months ended March 31, 2019, we paid $90.2 million for cash dividends on our common stock and dividend equivalents and paid cash dividends of $3.8 million on our preferred stock. On March 6, 2019, we declared our first quarter 2019 dividend on our common stock of $0.20 per share; on April 30, 2019, we paid this dividend, which totaled approximately $90.4 million, including dividend equivalents of approximately $256,000.

We believe that we have adequate financial resources to meet our current obligations, including margin calls, as they come due, to fund dividends we declare and to actively pursue our investment strategies. However, should the value of our MBS suddenly decrease, significant margin calls on our repurchase agreement borrowings could result and our liquidity position could be materially and adversely affected. Further, should market liquidity tighten, our repurchase agreement counterparties may increase our margin requirements on new financings, reducing our ability to use leverage. Access to financing may also be negatively impacted by the ongoing volatility in the world financial markets, potentially adversely impacting our current or potential lenders’ ability or willingness to provide us with financing. In addition, there is no assurance that favorable market conditions will continue to permit us to consummate additional securitization transactions if we determine to seek that form of financing.

Off-Balance Sheet Arrangements

We have not participated in transactions that create relationships with unconsolidated entities or financial partnerships which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Inflation

Substantially all of our assets and liabilities are financial in nature. As a result, changes in interest rates and other factors impact our performance far more than does inflation. Our results of operations and reported assets, liabilities and equity are measured with reference to historical cost or fair value without considering inflation.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We seek to manage our risks related to interest rates, liquidity, prepayment speeds, market value and the credit quality of our assets while, at the same time, seeking to provide an opportunity to stockholders to realize attractive total returns through ownership of our capital stock. While we do not seek to avoid risk, we seek, consistent with our investment policies, to: assume risk that can be quantified based on management's judgment and experience and actively manage such risk; earn sufficient returns to justify the taking of such risks; and maintain capital levels consistent with the risks that we undertake.

Interest Rate Risk

We generally acquire interest-rate sensitive assets and fund them with interest-rate sensitive liabilities, a portion of which are hedged with Swaps. We are exposed to interest rate risk on our residential mortgage assets, as well as on our liabilities. Changes in interest rates can affect our net interest income and the fair value of our assets and liabilities.

We finance the majority of our investments in residential mortgage assets with short-term repurchase agreements. In general, when interest rates change, the borrowing costs of our repurchase agreements (net of the impact of Swaps) change more quickly than the yield on our assets. In a rising interest rate environment, the borrowing costs of our repurchase agreements may increase faster than the interest income on our assets, thereby reducing our net income. In order to mitigate compression in net income based on such interest rate movements, we use Swaps to lock in a portion of the net interest spread between assets and liabilities.

When interest rates change, the fair value of our residential mortgage assets could change at a different rate than the fair value of our liabilities. We measure the sensitivity of our portfolio to changes in interest rates by estimating the duration of our assets and liabilities. Duration is the approximate percentage change in fair value for a 100 basis point parallel shift in the yield curve. In general, our assets have higher duration than our liabilities and in order to reduce this exposure we use Swaps to reduce the gap in duration between our assets and liabilities.

In calculating the duration of our Agency MBS we take into account the characteristics of the underlying mortgage loans including whether the underlying loans are fixed rate, adjustable or hybrid; coupon, expected prepayment rates and lifetime and periodic caps. We use third-party financial models, combined with management's assumptions and observed empirical data when estimating the duration of our Agency MBS.

In analyzing the interest rate sensitivity of our Legacy Non-Agency MBS we take into account the characteristics of the underlying mortgage loans, including credit quality and whether the underlying loans are fixed-rate, adjustable or hybrid. We estimate the duration of our Legacy Non-Agency MBS using management's assumptions.

The majority of our RPL/NPL MBS deal structures contain a contractual coupon step-up feature where the coupon increases from 300 - 400 basis points at 36 - 48 months from issuance or sooner. Therefore, we believe their fair value exhibits little sensitivity to changes in interest rates. We estimate the duration of these securities using management's assumptions.

The fair value of our re-performing residential whole loans is dependent on the value of the underlying real estate collateral, past and expected delinquency status of the borrower as well as the level of interest rates. Because the borrower is not delinquent on their mortgage payments but is less likely to prepay the loan due to weak credit history and/or high LTV, we believe our re-performing residential whole loans exhibit positive duration. We estimate the duration of our re-performing residential whole loans using management's assumptions.

The fair value of our Non-QM loans and Single family rental loans are dependent on the value of the underlying real estate collateral, as well as the level of interest rates. Because these loans are primarily newly or recently originated performing loans, we believe these investments exhibit positive duration. Given the short duration of the Company's Rehabilitation loans, we believe the fair value of these loans exhibits little sensitivity to changes in interest rates. We estimate the duration of these other loans held at carrying value using management's assumptions.

The fair value of our non-performing residential whole loans is primarily dependent on the value of the underlying real estate collateral and the time required for collateral liquidation. Since neither the value of the collateral nor the liquidation timeline is generally sensitive to interest rates, we believe their fair value exhibits little sensitivity to interest rates. We estimate the duration of our non-performing residential whole loans using management's assumptions.

We use Swaps as part of our overall interest rate risk management strategy. Such derivative financial instruments are intended to act as a hedge against future interest rate increases on our repurchase agreement financings, which rates are typically highly correlated with LIBOR. While our derivatives do not extend the maturities of our borrowings under repurchase agreements, they do, in effect, lock in a fixed rate of interest over their term for a corresponding amount of our repurchase agreement financings that are hedged.

At March 31, 2019, MFA's $4.4 billion of Agency MBS and Legacy Non-Agency MBS were backed by Hybrid, adjustable and fixed-rate mortgages. Additional information about these MBS, including average months to reset and three-month average CPR, is presented below:

	Agency MBS			Legacy Non-Agency MBS *(1)*			Total *(1)*		
Time to Reset	**Fair Value *(2)***	**Average Months to Reset *(3)***	**3 Month Average CPR *(4)***	**Fair Value**	**Average Months to Reset *(3)***	**3 Month Average CPR *(4)***	**Fair Value *(2)***	**Average Months to Reset *(3)***	**3 Month Average CPR *(4)***
(Dollars in Thousands)									
< 2 years *(5)*	$ 962,423	5	19.2%	$ 1,115,108	5	14.2%	$ 2,077,531	5	16.4%
2-5 years	112,552	39	4.0	—	—	—	112,552	39	4.0
> 5 years	9,570	75	3.5	—	—	—	9,570	75	3.5
ARM-MBS Total	$ 1,084,545	9	17.5%	$ 1,115,108	5	14.2%	$ 2,199,653	7	15.7%
15-year fixed *(6)*	$ 746,815		9.0%	$ 1,117		31.6%	$ 747,932		9.0%
30-year fixed *(6)*	714,713		12.6	648,114		10.3	1,362,827		11.4
40-year fixed *(6)*	—		—	46,546		11.0	46,546		11.0
Fixed-Rate Total	$ 1,461,528		10.7%	$ 695,777		10.4%	$ 2,157,305		10.6%
MBS Total	$ 2,546,073		13.6%	$ 1,810,885		12.7%	$ 4,356,958		13.2%

(1) Excludes $1.3 billion of RPL/NPL MBS. Refer to table below for further information.
(2) Does not include principal payments receivable of $524,000.
(3) Months to reset is the number of months remaining before the coupon interest rate resets. At reset, the MBS coupon will adjust based upon the underlying benchmark interest rate index, margin and periodic and/or lifetime caps. The months to reset do not reflect scheduled amortization or prepayments.
(4) 3 month average CPR weighted by positions as of the beginning of each month in the quarter.
(5) Includes floating-rate MBS that may be collateralized by fixed-rate mortgages.
(6) Information presented based on data available at time of loan origination.

The following table presents certain information about our RPL/NPL MBS portfolio at March 31, 2019:

(Dollars in Thousands)	**Fair Value**	**Net Coupon**	**Months to Step-Up *(1)***	**3 Month Average Bond CPR *(2)***
Re-Performing loans	$ 94,644	4.34%	25	—%
Non-Performing loans	1,190,880	4.97	25	12.5
Total RPL/NPL MBS	$ 1,285,524	4.92%	25	11.6%

(1) Months to step-up is the weighted average number of months remaining before the coupon interest rate increases pursuant to the first coupon reset. We anticipate that the securities will be redeemed prior to the step-up date.
(2) All principal payments are considered to be prepayments for CPR purposes.

At March 31, 2019, our CRT securities and MSR-related assets had a fair value of $423.7 million and $825.4 million, respectively, and their coupons reset monthly based on one-month LIBOR.

Shock Table

The information presented in the following "Shock Table" projects the potential impact of sudden parallel changes in interest rates on our net interest income and portfolio value, including the impact of Swaps, over the next 12 months based on the assets in our investment portfolio at March 31, 2019. All changes in income and value are measured as the percentage change from the projected net interest income and portfolio value under the base interest rate scenario at March 31, 2019.

Change in Interest Rates	Estimated Value of Assets *(1)*	Estimated Value of Swaps	Estimated Value of Financial Instruments	Change in Estimated Value	Percentage Change in Net Interest Income	Percentage Change in Portfolio Value
(Dollars in Thousands)						
+100 Basis Point Increase	$ 12,409,887	$ 47,240	$ 12,457,127	$ (166,661)	(3.32)%	(1.32)%
+ 50 Basis Point Increase	$ 12,533,967	$ 14,595	$ 12,548,562	$ (75,226)	(1.22)%	(0.60)%
Actual at March 31, 2019	$ 12,641,839	$ (18,051)	$ 12,623,788	$ —	— %	— %
- 50 Basis Point Decrease	$ 12,733,503	$ (50,696)	$ 12,682,807	$ 59,019	0.75 %	0.47 %
-100 Basis Point Decrease	$ 12,808,958	$ (83,342)	$ 12,725,616	$ 101,828	0.54 %	0.81 %

(1) Such assets include MBS and CRT securities, residential whole loans and REO, MSR-related assets, cash and cash equivalents and restricted cash.

Certain assumptions have been made in connection with the calculation of the information set forth in the Shock Table and, as such, there can be no assurance that assumed events will occur or that other events will not occur that would affect the outcomes. The base interest rate scenario assumes interest rates at March 31, 2019. The analysis presented utilizes assumptions and estimates based on management's judgment and experience. Furthermore, while we generally expect to retain the majority of our assets and the associated interest rate risk to maturity, future purchases and sales of assets could materially change our interest rate risk profile. It should be specifically noted that the information set forth in the above table and all related disclosure constitute forward-looking statements within the meaning of Section 27A of the 1933 Act and Section 21E of the 1934 Act. Actual results could differ significantly from those estimated in the Shock Table above.

The Shock Table quantifies the potential changes in net interest income and portfolio value, which includes the value of our Swaps (which are carried at fair value), should interest rates immediately change (i.e., are shocked). The Shock Table presents the estimated impact of interest rates instantaneously rising 50 and 100 basis points, and falling 50 and 100 basis points. The cash flows associated with our portfolio for each rate shock are calculated based on assumptions, including, but not limited to, prepayment speeds, yield on replacement assets, the slope of the yield curve and composition of our portfolio. Assumptions made with respect to the interest rate sensitive liabilities include anticipated interest rates, collateral requirements as a percent of repurchase agreement financings, and the amounts and terms of borrowing. At March 31, 2019, we applied a floor of 0% for all anticipated interest rates included in our assumptions. Due to this floor, it is anticipated that any hypothetical interest rate shock decrease would have a limited positive impact on our funding costs; however, because prepayments speeds are unaffected by this floor, it is expected that any increase in our prepayment speeds (occurring as a result of any interest rate shock decrease or otherwise) could result in an acceleration of premium amortization on our Agency MBS and discount accretion on our Non-Agency MBS and in the reinvestment of principal repayments in lower yielding assets. As a result, because the presence of this floor limits the positive impact of interest rate decrease on our funding costs, hypothetical interest rate shock decreases could cause a decline in the fair value of our financial instruments and our net interest income.

At March 31, 2019, the impact on portfolio value was approximated using estimated net effective duration (i.e., the price sensitivity to changes in interest rates), including the effect of Swaps and securitized debt, of 1.07 which is the weighted average of 1.64 for our Agency MBS, 0.88 for our Non-Agency investments, 2.24 for our Residential whole loans, (1.80) for our Swaps and securitized debt, and 0.18 for our Other assets and cash and cash equivalents. Estimated convexity (i.e., the approximate change in duration relative to the change in interest rates) of the portfolio was (0.51), which is the weighted average of (0.86) for our Agency MBS, zero for our Swaps and securitized debt, (0.12) for our Non-Agency MBS, (0.71) for our Residential whole loans and zero for our Other assets and cash and cash equivalents. The impact on our net interest income is driven mainly by the difference between portfolio yield and cost of funding of our repurchase agreements, which includes the cost and/or benefit from Swaps. Our asset/liability structure is generally such that an increase in interest rates would be expected to result in a decrease in net interest income, as our borrowings are generally shorter in term than our interest-earning assets. When interest rates are shocked, prepayment assumptions are adjusted based on management's expectations along with the results from the prepayment model.

Credit Risk

Although we do not believe that we are exposed to credit risk in our Agency MBS portfolio, we are exposed to credit risk through our credit sensitive residential mortgage investments, in particular Legacy Non-Agency MBS, CRT securities and residential whole loans and to a lesser extent our investments in RPL/NPL MBS and MSR-related assets. Our exposure to credit risk from our credit sensitive investments is discussed in more detail below:

Legacy Non-Agency MBS

Our investment process for Legacy Non-Agency MBS involves analysis focused primarily on quantifying and pricing credit risk. When we purchase Legacy Non-Agency MBS, we assign certain assumptions to each of the MBS, including but not limited to, future interest rates, voluntary prepayment rates, mortgage modifications, default rates and loss severities, and generally allocate a portion of the purchase discount as a Credit Reserve which provides credit protection for such securities. As part of our surveillance process, we review our Legacy Non-Agency MBS by tracking their actual performance compared to the securities' expected performance at purchase or, if we have modified our original purchase assumptions, compared to our revised performance expectations. To the extent that actual performance of a Legacy Non-Agency MBS is less favorable than its expected performance, we may revise our performance expectations. As a result, we could reduce the accretable discount on the security and/or recognize an other-than-temporary impairment through earnings, either of which could have a material adverse impact on our operating results.

In evaluating our asset/liability management and Legacy Non-Agency MBS credit performance, we consider the credit characteristics of the mortgage loans underlying our Legacy Non-Agency MBS. The following table presents certain information about our Legacy Non-Agency MBS portfolio at March 31, 2019. Information presented with respect to the weighted average Fair Isaac Corporation (or FICO) scores and other information aggregated based on information reported at the time of mortgage origination are historical and, as such, do not reflect the impact of the general changes in home prices or changes in borrowers' credit scores or the current use of the mortgaged properties.

The information in the table below is presented as of March 31, 2019:

(Dollars in Thousands)	Securities with Average Loan FICO of 715 or Higher *(1)*	Securities with Average Loan FICO Below 715 *(1)*	Total
Number of securities	192	136	328
MBS current face *(2)*	$ 1,185,669	$ 811,759	$ 1,997,428
Total purchase discounts, net *(2)*	$ (338,229)	$ (293,045)	$ (631,274)
Purchase discount designated as Credit Reserve and OTTI *(2)(3)*	$ (230,827)	$ (271,828)	$ (502,655)
Purchase discount designated as Credit Reserve and OTTI as percentage of current face	19.5%	33.5%	25.2%
MBS amortized cost *(2)*	$ 847,440	$ 518,714	$ 1,366,154
MBS fair value *(2)*	$ 1,091,296	$ 719,589	$ 1,810,885
Weighted average fair value to current face	92.0%	88.6%	90.7%
Weighted average coupon *(4)*	4.52%	5.21%	4.80%
Weighted average loan age (months) *(4)(5)*	152	157	154
Weighted average current loan size *(4)(5)*	$ 423	$ 253	$ 354
Percentage amortizing *(6)*	100%	99%	100%
Weighted average FICO score at origination *(4)(7)*	727	702	717
Owner-occupied loans	90.3%	86.5%	88.7%
Rate-term refinancings	24.4%	16.6%	21.2%
Cash-out refinancings	34.4%	44.2%	38.4%
3 Month CPR *(5)*	13.7%	12.6%	13.3%
3 Month CRR *(5)(8)*	11.2%	9.7%	10.6%
3 Month CDR *(5)(8)*	2.8%	3.2%	3.0%
3 Month loss severity	49.7%	73.7%	60.2%
60+ days delinquent *(7)*	10.4%	12.3%	11.2%
Percentage of always current borrowers (Lifetime) *(9)*	26.7%	22.1%	24.8%
Percentage of always current borrowers (12M) *(10)*	76.4%	71.6%	74.5%

(1) FICO score is used by major credit bureaus to indicate a borrower's creditworthiness at time of loan origination.
(2) Excludes Non-Agency MBS issued since 2012 in which the underlying collateral consists of RPL/NPL MBS. These Non-Agency MBS have a current face of $1.3 billion, amortized cost of $1.3 billion, fair value of $1.3 billion and purchase discounts of $482,000 at March 31, 2019.
(3) Purchase discounts designated as Credit Reserve and OTTI are not expected to be accreted into interest income.
(4) Weighted average is based on MBS current face at March 31, 2019.
(5) Information provided is based on loans for individual groups owned by us.
(6) Percentage of face amount for which the original mortgage note contractually calls for principal amortization in the current period.
(7) Information provided is based on loans for all groups that provide credit enhancement for MBS with credit enhancement.
(8) CRR represents voluntary prepayments and CDR represents involuntary prepayments.
(9) Percentage of face amount of loans for which the borrower has not been delinquent since origination.
(10) Percentage of face amount of loans for which the borrower has not been delinquent in the last twelve months.

The mortgages securing our Legacy Non-Agency MBS are located in many geographic regions across the United States. The following table presents the five largest geographic concentrations by state of the mortgages collateralizing our Legacy Non-Agency MBS at March 31, 2019:

Property Location	Percent of Unpaid Principal Balance
California	42.3%
Florida	8.0%
New York	7.7%
New Jersey	3.9%
Maryland	3.9%

RPL/NPL MBS

These securities are backed by re-performing and non-performing loans, were purchased primarily at prices around par and represent the senior and mezzanine tranches of the related securitizations. The majority of these securities are structured with significant credit enhancement (typically approximately 50%) and the subordinate tranches absorb all credit losses (until those tranches are extinguished) and typically receive no cash flow (interest or principal) until the senior tranche is paid off. Prior to purchase, we analyze the deal structure in order to assess the associated credit risk. Subsequent to purchase, the ongoing credit risk associated with the deal is evaluated by analyzing the extent to which actual credit losses occur that result in a reduction in the amount of subordination enjoyed by our bond.

CRT Securities

We are exposed to potential credit losses from our investments in CRT securities issued by or sponsored by Fannie Mae and Freddie Mac. While CRT securities are issued by or sponsored by these GSEs, payment of principal on these securities is not guaranteed. As an investor in a CRT security, we may incur a loss if losses on the mortgage loans in the reference pool exceed the credit enhancement on the underlying CRT security owned by us or if an actual pool of loans experience losses. We assess the credit risk associated with our investments in CRT securities by assessing the current and expected future performance of the associated loan pool.

Residential Whole Loans

We are also exposed to credit risk from our investments in residential whole loans. Our investment process for non-performing and Purchased Credit Impaired Loans residential whole loans is generally similar to that used for Legacy Non-Agency MBS and is likewise focused on quantifying and pricing credit risk. Non-Performing and Purchased Credit Impaired Loans are acquired at purchase prices that are generally discounted to the contractual loan balances based on a number of factors, including the impaired credit history of the borrower and the value of the collateral securing the loan. In addition, as we generally own the mortgage-servicing rights associated with these loans, our process is also focused on selecting a sub-servicer with the appropriate expertise to mitigate losses and maximize our overall return. This involves, among other things, performing due diligence on the sub-servicer prior to their engagement as well as ongoing oversight and surveillance. To the extent that delinquencies and defaults on these loans are higher than our expectation at the time the loans were purchased, the discounted purchase price at which the asset is acquired is intended to provide a level of protection against financial loss.

Credit risk on Purchased Performing Loans is mitigated through our process to underwrite the loan before it is purchased and includes an assessment of the borrower’s financial condition and ability to repay the loan, nature of the collateral and relatively low LTV, including after-repair LTV for the majority of our Rehabilitation loans.

The following table presents certain information about our Residential whole loans, at carrying value at March 31, 2019:

	Purchased Performing Loans		Purchased Credit Impaired Loans		
	Loans with an LTV:		Loans with an LTV:		
(Dollars in Thousands)	80% or Below	Above 80%	80% or Below	Above 80%	Total
Carrying value	$ 2,829,111	$ 121,593	$ 413,045	$ 360,895	$ 3,724,644
Unpaid principal balance (UPB)	$ 2,784,775	$ 122,002	$ 476,261	$ 493,092	$ 3,876,130
Weighted average coupon *(1)*	6.3%	6.7%	4.5%	4.4%	5.9%
Weighted average term to maturity (months)	268	327	274	326	278
Weighted average LTV *(2)*	63.3%	91.0%	58.8%	110.6%	69.5%
Loans 90+ days delinquent	$ 26,490	$ 37	$ 28,980	$ 48,279	$ 103,786

(1) Weighted average is calculated based on the interest bearing principal balance of each loan within the related category. For loans acquired with servicing rights released by the seller, interest rates included in the calculation do not reflect loan servicing fees. For loans acquired with servicing rights retained by the seller, interest rates included in the calculation are net of servicing fees.

(2) LTV represents the ratio of the total unpaid principal balance of the loan to the estimated value of the collateral securing the related loan as of the most recent date available, which may be the origination date. For Rehabilitation loans, the LTV presented is the ratio of the maximum unpaid principal balance of the loan, including unfunded commitments, to the estimated "after repaired" value of the collateral securing the related loan, where available. For certain Rehabilitation loans, totaling $79.0 million, an after repaired valuation was not obtained and the loan was underwritten based on an "as is" valuation. The LTV of these loans based on the current unpaid principal balance and the valuation obtained during underwriting, is 67%. Excluded from the calculation of weighted average LTV are certain low value loans secured by vacant lots, for which the LTV ratio is not meaningful.

The following table presents the five largest geographic concentrations by state of our residential whole loan portfolio at March 31, 2019:

Property Location	Percent of Interest-Bearing Unpaid Principal Balance
California	35.0%
Florida	10.8%
New York	8.7%
New Jersey	5.6%
Illinois	3.4%

MSR-Related Assets

Term Notes

We have invested in certain term notes that are issued by SPVs that have acquired rights to receive cash flows representing the servicing fees and/or excess servicing spread associated with certain MSRs. Payment of principal and interest on these term notes is considered by us to be largely dependent on the cash flows generated by the underlying MSRs as this impacts the cash flows available to the SPV that issued the term notes. Credit risk borne by the holders of the term notes is also mitigated by structural credit support in the form of over-collateralization. In addition, credit support is also provided by a corporate guarantee from the ultimate parent or sponsor of the SPV that is intended to provide for payment of interest and principal to the holders of the term notes should cash flows generated by the underlying MSRs be insufficient.

Corporate Loan

We have participated in a loan agreement to provide financing to an entity that originates residential whole loans and owns the related MSRs. We assess the credit risk associated with this loan participation by considering various factors, including the current status of the loan, changes in fair value of the MSRs that secure the loan and the recent financial performance of the borrower.

Credit Spread Risk

Credit spreads measure the additional yield demanded by investors in financial instruments based on the credit risk associated with an instrument relative to benchmark interest rates. They are impacted by the available supply and demand for instruments with various levels of credit risk. Widening credit spreads would result in higher yields being required by investors in financial instruments. Credit spread widening generally results in lower values of the financial instruments we hold at that time, but will generally result in a higher yield on future investments with similar credit risk. It is possible that the credit spreads on our assets and liabilities, including hedges, will not always move in tandem. Consequently, changes in credit spreads can result in volatility in our financial results and reported book value.

Liquidity Risk

The primary liquidity risk we face arises from financing long-maturity assets with shorter-term borrowings primarily in the form of repurchase agreement financings. We pledge residential mortgage assets and cash to secure our repurchase agreements and Swaps. At March 31, 2019, we had access to various sources of liquidity which we estimate to be in excess of $217.4 million, an amount which includes: (i) $76.6 million of cash and cash equivalents, (ii) $78.7 million in estimated financing available from unpledged Agency MBS and other Agency MBS collateral that are currently pledged in excess of contractual requirements, and (iii) $62.1 million in estimated financing available from currently unpledged Non-Agency MBS and from other Non-Agency MBS and CRT collateral that is currently pledged in excess of contractual requirements. Our sources of liquidity do not include restricted cash. In addition, we have $1.1 billion of unencumbered residential whole loans. We are evaluating potential opportunities to finance these assets including loan securitization. Should the value of our residential mortgage assets pledged as collateral suddenly decrease, margin calls under our repurchase agreements would likely increase, causing an adverse change in our liquidity position. Additionally, if one or more of our financing counterparties chose not to provide ongoing funding, our ability to finance our long-maturity assets would decline or be available on possibly less advantageous terms. As such, we cannot assure you that we will always be able to roll over our repurchase agreement financings. Further, should market liquidity tighten, our repurchase agreement counterparties may increase our margin requirements on new financings, including repurchase agreement borrowings that we roll with the same counterparty, reducing our ability to use leverage.

Prepayment Risk

Premiums arise when we acquire an MBS or loan at a price in excess of the aggregate principal balance of the mortgages securing the MBS (i.e., par value) or when we acquire residential whole loans at a price in excess of their aggregate principal balance. Conversely, discounts arise when we acquire an MBS or loan at a price below the aggregate principal balance of the mortgages securing the MBS or when we acquire residential whole loans at a price below their aggregate principal balance. Premiums paid are amortized against interest income and accretable purchase discounts on these investments are accreted to interest income. Purchase premiums, which are primarily carried on our Agency MBS, certain CRT securities and Non-QM loans, are amortized against interest income over the life of the investment using the effective yield method, adjusted for actual prepayment activity. An increase in the prepayment rate, as measured by the CPR, will typically accelerate the amortization of purchase premiums, thereby reducing the interest income earned on these assets. Generally, if prepayments on Non-Agency MBS and residential whole loans purchased at significant discounts and not accounted for at fair value are less than anticipated, we expect that the income recognized on these assets will be reduced and impairments and/or loan loss reserves may result.

In addition, increased prepayments are generally associated with decreasing market interest rates as borrowers are able refinance their mortgages at lower rates. Therefore, increased prepayments on our investments may accelerate the redeployment of our capital to generally lower yielding investments. Similarly, decreased prepayments are generally associated with increasing market interest rates and may slow our ability to redeploy capital to generally higher yielding investments.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Management, under the direction of its Chief Executive Officer and Chief Financial Officer, is responsible for maintaining disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the 1934 Act) that are designed to ensure that information required to be disclosed in reports filed or submitted under the 1934 Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Company’s Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this Quarterly Report on Form 10-Q, management reviewed and evaluated the Company’s disclosure controls and procedures. The evaluation was performed under the direction of the Company’s Chief Executive Officer and Chief Financial Officer to determine the effectiveness, as of March 31, 2019, of the design and operation of the Company’s disclosure controls and procedures. Based on that review and evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company’s current disclosure controls and procedures, as designed and implemented, were effective as of March 31, 2019. Notwithstanding the foregoing, a control system, no matter how well designed, implemented and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company’s current periodic reports.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting that occurred during the quarter ended March 31, 2019 that materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are no material pending legal proceedings to which we are a party or any of our assets are subject.

Item 1A. Risk Factors

For a discussion of the Company's risk factors, see Part 1, Item 1A. "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2018. There are no material changes from the risk factors set forth in such Annual Report on Form 10-K. However, the risks and uncertainties that the Company faces are not limited to those set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. Additional risks and uncertainties not currently known to the Company (or that it currently believes to be immaterial) may also adversely affect the Company's business and the trading price of our securities.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities

As previously disclosed, in August 2005, the Company's Board authorized a Repurchase Program, to repurchase up to 4.0 million shares of the Company's outstanding common stock under the Repurchase Program. The Board reaffirmed such authorization in May 2010. In December, 2013, the Company's Board increased the number of shares authorized for repurchase to an aggregate of 10.0 million shares (under which approximately 6.6 million shares remain available for repurchase). Such authorization does not have an expiration date and, at present, there is no intention to modify or otherwise rescind such authorization. Subject to applicable securities laws, repurchases of common stock under the Repurchase Program are made at times and in amounts as the Company deems appropriate (including, in its discretion, through the use of one or more plans adopted under Rule 10b-5-1 promulgated under the 1934 Act), using available cash resources. Shares of common stock repurchased by the Company under the Repurchase Program are cancelled and, until reissued by the Company, are deemed to be authorized but unissued shares of the Company's common stock. The Repurchase Program may be suspended or discontinued by the Company at any time and without prior notice.

The Company engaged in no share repurchase activity during the first quarter of 2019 pursuant to the Repurchase Program. The Company did, however, withhold restricted shares (under the terms of grants under its Equity Plan) to offset tax withholding obligations that occur upon the vesting and release of restricted stock awards and/or RSUs. The following table presents information with respect to (i) such withheld restricted shares and (ii) eligible shares remaining for repurchase under the Repurchase Program:

Month		Total Number of Shares Purchased	Weighted Average Price Paid Per Share *(1)*	Total Number of Shares Repurchased as Part of Publicly Announced Repurchase Program or Employee Plan	Maximum Number of Shares that May Yet be Purchased Under the Repurchase Program or Employee Plan
January 1-31, 2019:					
Repurchase Program	*(2)*	—	$ —	—	6,616,355
Employee Transactions	*(3)*	370,244	7.05	N/A	N/A
February 1-28, 2019:					
Repurchase Program	*(2)*	—	—	—	6,616,355
Employee Transactions	*(3)*	—	—	N/A	N/A
March 1-31, 2019:					
Repurchase Program	*(2)*	—	—	—	6,616,355
Employee Transactions	*(3)*	—	$ —	N/A	N/A
Total Repurchase Program	*(2)*	—	$ —	—	6,616,355
Total Employee Transactions	*(3)*	370,244	$ 7.05	N/A	N/A

(1) Includes brokerage commissions.

(2) As of March 31, 2019, the Company had repurchased an aggregate of 3,383,645 shares under the Repurchase Program.

(3) The Company's Equity Plan provides that the value of the shares delivered or withheld be based on the price of its common stock on the date the relevant transaction occurs.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

The list of exhibits required to be filed as exhibits to this report are listed on page E-1 hereof, under "Exhibit Index," which is incorporated herein by reference.

SIGNATURES

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

Date: May 7, 2019	MFA FINANCIAL, INC. (Registrant)	
	By:	/s/ Stephen D. Yarad
		Stephen D. Yarad Chief Financial Officer (Principal Financial Officer)

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EXHIBIT INDEX

The following exhibits are filed as part of this Quarterly Report:

Exhibit	Description
31.1	Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

*****These interactive data files are furnished and deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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Section 2: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATION

I, Craig L. Knutson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MFA Financial, Inc. (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15 (f)) for the Registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 7, 2019

By: /s/ Craig L. Knutson
Name: Craig L. Knutson
Title: President and Chief Executive Officer

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Section 3: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATION

I, Stephen D. Yarad, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MFA Financial, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: May 7, 2019

By: /s/ Stephen D. Yarad
Name: Stephen D. Yarad
Title: Chief Financial Officer

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Section 4: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

The undersigned, the Chief Executive Officer of MFA Financial, Inc. (the “Company”), hereby certifies on the date hereof, pursuant to 18 U.S.C. 1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that, to my knowledge, the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (the “Form 10-Q”), filed herewith by the Company, fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Craig L. Knutson
Name: Craig L. Knutson
Title: President and Chief Executive Officer

Date: May 7, 2019

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes—Oxley Act of 2002, and is not being “filed” as part of the Form 10-Q or as a separate disclosure document for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference to any filing under the Securities Act of 1933, as amended, or the Exchange Act except to the extent that this Exhibit 32.1 is expressly and specifically incorporated by reference in any such filing.

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

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Section 5: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

The undersigned, the Chief Financial Officer of MFA Financial, Inc. (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. 1350 (a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that, to my knowledge, the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (the "Form 10-Q"), filed herewith by the Company, fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:	/s/ Stephen D. Yarad	Date: May 7, 2019
	Name: Stephen D. Yarad	
	Title: Chief Financial Officer	

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes—Oxley Act of 2002, and is not being "filed" as part of the Form 10-Q or as a separate disclosure document for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference to any filing under the Securities Act of 1933, as amended, or the Exchange Act except to the extent that this Exhibit 32.2 is expressly and specifically incorporated by reference in any such filing.

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

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