

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

FORM 10-Q

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

For the quarterly period ended March 31, 2002

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

AMERICA FIRST MORTGAGE INVESTMENTS, INC.
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

13-3974868
(I.R.S. Employer
Identification No.)

399 Park Avenue, 36th Floor, New York, New York
(Address of principal executive offices)

10022
(Zip Code)

Registrant's telephone number, including area code: (212) 935-8760

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 ☐

35,823,601 shares of common stock, \$0.01 par value, were outstanding as of
May 14, 2002.

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AMERICA FIRST MORTGAGE INVESTMENTS, INC.
STATEMENTS OF FINANCIAL CONDITION

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(In Thousands, Except Share Amounts)		March 31, 2002	December 31, 2001
		-----	-----
		(Unaudited)	
<S>		<C>	<C>
Assets:			
Mortgage backed securities ("MBS")		\$ 2,637,426	\$ 1,926,900
Cash and cash equivalents		44,978	58,533
Restricted cash		38,820	39,499
Corporate debt securities		5,629	9,774
Corporate equity securities		783	4,088
Accrued interest and dividends receivable		16,990	12,340
Other investments		9,844	9,800
Interest rate cap agreements		2,199	513
Goodwill, net		7,189	7,189
Other assets		515	297
		-----	-----
		\$ 2,764,373	\$ 2,068,933
		=====	=====
Liabilities:			
Repurchase agreements		\$ 2,487,393	\$ 1,845,598
Accrued interest payable		11,488	11,387
Dividends payable		10,897	7,718
Accounts payable		604	606
		-----	-----
		2,510,382	1,865,309
		-----	-----
Commitments and contingencies (Note 10)		--	--
Stockholders' Equity:			
Common stock, \$.01 par value; 375,000,000 shares authorized; 35,823,601 and 28,348,601 issued and outstanding at March 31, 2002 and December 31, 2001, respectively		358	283
Additional paid-in capital		270,697	212,536
Accumulated deficit		(15,044)	(13,704)
Accumulated other comprehensive income (loss)		(2,020)	4,509
		-----	-----
		253,991	203,624
		-----	-----
		\$ 2,764,373	\$ 2,068,933
		=====	=====
</TABLE>			

The accompanying notes are an intergral part of the financial statements.

AMERICA FIRST MORTGAGE INVESTMENTS, INC.
STATEMENTS OF OPERATIONS

<TABLE> <CAPTION>			
(In Thousands, Except Per Share Amounts)		Three Months Ended March 31,	
<S>		2002	2001
		-----	-----
		(Unaudited)	
<C>		<C>	<C>
Interest and Dividend Income:			
Mortgage securities income		\$ 26,638	\$ 8,021
Corporate debt securities income		321	467
Dividend income		39	251
Interest income on temporary cash investments		255	158
		-----	-----
Total Interest and Dividend Income		27,253	8,897
		-----	-----
Interest expense on borrowed funds		13,483	6,536
		-----	-----

Net Interest and Dividend Income	13,770	2,361
	-----	-----
Other Income (Loss):		
Income and gains from other investments	59	2,954
Net gain on sale of investment securities	414	44
Other than temporary impairment of investment securities	(3,474)	(124)
	-----	-----
Total Other Income (Loss)	(3,001)	2,874
	-----	-----
General and Administrative Expenses	1,212	1,167
	-----	-----
Net Income	\$ 9,557	\$ 4,068
	=====	=====
Income Per Share:		
Net income per share - basic	\$ 0.28	\$ 0.47
Weighted average shares outstanding - basic	34,329	8,693
Net income per share - diluted	\$ 0.28	\$ 0.46
Weighted average shares outstanding - diluted	34,453	8,757

</TABLE>

The accompanying notes are an intergral part of the financial statements.

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AMERICA FIRST MORTGAGE INVESTMENTS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Three Months Ended March 31, 2002

	(Unaudited)
(In Thousands, Except per Share Data)	
Common Stock (Par Value: \$.01):	
Balance at December 31, 2001	\$ 283
Issuance of common stock, net of offering expenses	75

Balance at March 31, 2002	358

Additional Paid-in Capital:	
Balance at December 31, 2001	212,536
Issuance of common stock, net of offering expenses	58,137
Compensation expense for 1997 stock option plan	24

Balance at March 31, 2002	270,697

Accumulated Deficit:	
Balance at December 31, 2001	(13,704)
Net income	9,557
Cash dividends declared (\$.30 per share)	(10,897)

Balance at March 31, 2002	(15,044)

Accumulated Other Comprehensive Income (Loss):	
Balance at December 31, 2001	4,509
Unrealized gain (loss) during period, net	(6,729)
Unrealized gain on interest rate cap agreements	200

Balance at March 31, 2002	(2,020)

Total Stockholders' Equity	\$ 253,991
	=====

The accompanying notes are an intergral part of the financial statements.

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AMERICA FIRST MORTGAGE INVESTMENTS, INC.
STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

Three Months Ended

(In Thousands)

	March 31,	
	2002	2001
	(Unaudited)	
<S>	<C>	<C>
Cash Flows From Operating Activities:		
Net income	\$ 9,557	\$ 4,068
Adjustments to reconcile net income to net cash provided by operating activities:		
Net gain on sale of investment securities/other investments	(414)	(44)
Other-than-temporary impairment recognized on corporate investment securities	3,474	124
Amortization of premium on investments	5,739	461
Amortization of goodwill	--	50
Increase in interest receivable	(4,650)	(412)
Decrease (increase) in other assets and other	(193)	224
Increase (decrease) in accounts payable	(2)	532
Increase in accrued interest payable	100	95
Net cash provided by operating activities	13,611	5,098
Cash Flows From Investing Activities:		
Principal payments on MBS	280,518	34,865
Proceeds from sale of MBS	4,600	5,544
Proceeds from sale of corporate equity securities	3,167	--
Purchases of MBS	(1,006,890)	(67,067)
Increase in other investments, excluding gains	(44)	(3,392)
Net cash used in investing activities	(718,649)	(30,050)
Cash Flows From Financing Activities:		
Net increase in borrowings through repurchase agreements	641,795	33,565
Net proceeds from common stock offering	58,213	--
Purchases of interest rate cap agreements	(1,486)	--
Decrease (increase) in restricted cash	679	(708)
Dividends paid	(7,718)	(1,406)
Net cash provided by financing activities	691,483	31,451
Net decrease in unrestricted cash and cash equivalents	(13,555)	6,499
Unrestricted cash and cash equivalents at beginning of period	58,533	8,400
Unrestricted cash and cash equivalents at end of period	\$ 44,978	14,899
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	\$ 13,382	\$ 6,441

</TABLE>

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

AMERICA FIRST MORTGAGE INVESTMENTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
(UNAUDITED)

Organization

America First Mortgage Investments, Inc. (the "Company") was incorporated in Maryland on July 24, 1997. The Company began operations on April 10, 1998 when it merged with three partnerships (the "1998 Merger"), America First Participating/Preferred Equity Mortgage Fund Limited Partnership ("Prep Fund 1"), America First Prep Fund 2 Limited Partnership ("Prep Fund 2") and America First Prep Fund 2 Pension Series Limited Partnership ("Pension Fund"), collectively, the "Prep Funds".

The Company has elected to be taxed as a real estate investment trust ("REIT") for federal income tax purposes. Pursuant to the current federal tax regulations, one of the requirements of maintaining its status as a REIT is that the Company must distribute at least 90% of its annual taxable net income to its stockholders, subject to certain adjustments.

From the time of its inception through December 31, 2001, the Company was externally advised by America First Mortgage Advisory Corporation (the "Advisor"), pursuant to an advisory agreement between the parties (the "Advisory Agreement"). As an externally managed company, the Company had no employees of its own and relied on the Advisor to conduct its business and operations.

Pursuant to the consummation of the stockholder approved merger between the Company and the Advisor (the "Advisor Merger"), the Company and the Advisor

merged on January 1, 2002. As a result of the Advisor Merger, the Company became self-advised commencing January 1, 2002 and thereafter has directly incurred the cost of all overhead necessary to operate the Company. For accounting purposes, the Advisor Merger was not considered the acquisition of a "business" for purposes of applying Accounting Principles Board ("APB") Opinion No. 16, "Business Combinations" and, therefore, the market value of the common stock issued, valued as of the consummation of the Advisor Merger, in excess of the fair value of the net tangible assets acquired was charged to operating income rather than capitalized as goodwill at the time the Advisor Merger received stockholder approval in December 2001. (See Note 3)

1. Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying interim unaudited financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted according to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. The financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001. In the opinion of management, all normal and recurring adjustments necessary to present fairly the financial position at March 31, 2002 and results of operations for all periods presented have been made. The results of operations for the three-month period ended March 31, 2002 are not necessarily indicative of the results to be expected for the full year.

As more fully discussed in Note 7, the Company has an investment in a corporation, as a preferred stockholder, and investments in four real estate limited partnerships, as a limited partner, which are accounted for under the equity method. The Company does not legally controls either the corporation nor any of the partnerships.

The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

(b) Credit Risk and Declines in Market Value

The Company limits its exposure to credit losses on its investment portfolio by requiring that at least 50% of its investment portfolio consist of MBS that are guaranteed as to principal and interest by an agency of the U.S. Government, such as Ginnie Mae, Fannie Mae and Freddie Mac ("Agency MBS"). The remainder of the Company's assets may be either: (i) investments in multi-family apartment properties; (ii) investments in limited partnerships, real estate investment trusts (each a REIT) or a preferred stock of a real estate related corporation or (iii) other fixed-

AMERICA FIRST MORTGAGE INVESTMENTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
(UNAUDITED)

income instruments, such as corporate debt securities, that provide increased call protection relative to the Company's MBS portfolio. Corporate debt that is below investment-grade will be limited to less than 5% of the Company's total assets. Agency and AAA rated MBS comprised 95% and 93% of the Company's total assets at March 31, 2002 and December 31, 2001, respectively. The Company did not have an allowance for credit losses at March 31, 2002 or December 31, 2001.

A decline in the estimated market value of any of the Company's investment securities that is considered by management to be other-than-temporary would result in the Company reducing the cost basis of the specific security through a corresponding charge against earnings. Losses related to other-than-temporary declines in market value are determined based on management's assessment of various factors affecting the security. The following are among, but not all, the factors considered in determining whether and to what extent an other-than-temporary impairment exists: (i) the expected cash flow from the investments; (ii) whether an other-than-temporary deterioration of the credit quality of the underlying mortgages, debtor, or the company in which equity investments has occurred; (iii) the credit protection available to the related mortgage pool for MBS; (iv) any other market information available, including analysts assessments and statements, public statements and filings made by the debtor, counterparty or other relevant party issuing or otherwise securing the particular security; (v) management's internal analysis of the security

considering all known relevant information at the time of assessment; and (vi) the magnitude and duration of historical decline in market prices. Because management's assessments are based on factual information as well as subjective information available at the time of assessment, the determination as to whether an other-than-temporary decline exists and, if so, the amount considered impaired is also subjective and, therefore, constitutes a material estimate, that is susceptible to a significant change. (See Notes 5 and 6)

(c) MBS, Corporate Debt Securities and Corporate Equity Securities

Statement of Financial Accounting Standards ("FAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"), requires that investments in securities be designated as either held-to-maturity, available-for-sale or trading at the time of acquisition. Securities that are designated as held-to-maturity are carried at their amortized cost. Securities designated as available-for-sale are carried at fair value with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

Although the Company generally intends to hold most of its MBS until maturity, it may, from time to time, sell any of its MBS as part of its overall management of its business. The available-for-sale designation provides the flexibility to sell its MBS in order to appropriately act on potential future market opportunities, changes in economic conditions and to ensure future liquidity. All of the Company's investments in corporate equity securities are classified as available-for-sale. As of March 31, 2002, all of the Company's investments in corporate debt securities were classified as available-for-sale.

If management were to decide to sell any security, whether held-for-investment or held for sale, unrealized losses at the time that the decision to sell is made would be charged against earnings in that period, if any. However, any gains would be deferred until realized.

Other-than-temporary losses on investment securities, whether designated as available-for-sale or held-to-maturity, as measured by the amount of decline in fair value attributable to factors that are considered to be other-than-temporary, are charged against income resulting in an adjustment of the cost basis of such securities. Gains or losses on the sale of investment securities are based on the specific identification method.

The Company's adjustable rate assets are comprised primarily of adjustable rate MBS issued through Ginnie Mae, Fannie Mae or Freddie Mac. Included in these adjustable rate MBS are hybrid MBS that have a fixed interest rate for an initial period, generally three-to-five years, then convert to an adjustable rate for their remaining term to maturity.

Interest income is accrued based on the outstanding principal amount of the investment securities and their contractual terms. Premiums and discounts associated with the purchase of the investment securities are amortized into interest income over the lives of the securities using the effective yield method, adjusted for actual prepayment activity.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and highly liquid investments with original maturities of three

months or less. The carrying amount of cash equivalents approximates their fair value.

(e) Restricted Cash

The Company's restricted cash balance represents cash held on deposit with certain counterparties (i.e., lenders) to satisfy margin calls on repurchase agreements. The margin calls result from the decline in the value of the MBS securing repurchase agreements, generally due to principal reduction in the MBS from scheduled amortization and prepayments. At the time a repurchase agreement rolls, the Company will apply the restricted cash against the repurchase agreement, thereby reducing the borrowing.

(f) Other Investments

Other investments consist of certain non-consolidated investments, accounted for under the equity method, which include: (i) non-voting preferred stock of a corporation which has an interest in a real estate limited partnership and a wholly owned limited liability company, and (ii) investments in four limited partnerships owning real estate. The Company acquired these investments as part of the 1998 Merger. Certain of the properties underlying the other investments in the limited partnerships that the Company received in the

1998 Merger were subsequently exchanged for other properties through non-taxable exchanges, known for tax purposes as a "Section 1031 exchange."

Certain of the investments have a zero carrying value and, as such, earnings are recorded only to the extent that distributions are received. Such investments have not been reduced below zero through recognition of allocated investment losses since the Company has no legal obligation to provide additional cash support to the underlying property partnerships as it is not the general partner in any of the partnership entities, nor has it indicated any commitment to provide this support. Each of the properties in which the Company has interests are mortgaged, with the underlying investment properties serving as collateral. The Company has no liability for the mortgage loans, since (1) the Company's investment is as a limited partner and (2) the mortgages have non-recourse provisions, such that they are secured only to the extent of the collateral which is comprised of the mortgaged property.

(g) Derivative Financial Instruments - Interest Rate Cap Agreements

The Company utilizes interest rate cap agreements ("Cap Agreements"), which are derivative instruments, for the purpose of managing interest rate risk. The Company has not entered, nor does it anticipate entering, into derivative transactions for speculative or trading purposes.

In accordance with FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" a derivative which is designated as a hedge is recognized as an asset/liability and measured at fair value. To qualify for hedge accounting, at the inception of a Cap Agreement, the Company must anticipate that the hedge will be highly effective in limiting the Company's cost beyond the Cap Agreement threshold on its matching (on an aggregate basis) anticipated repurchase agreements during the active period of the Cap Agreement. As long as the hedge remains effective, changes in fair value are included in the accumulated other comprehensive income component of stockholders' equity. Upon the Cap Agreement active period commencing, the premium paid to enter into the Cap Agreement is amortized and reflected in interest expense. The periodic amortization of the premium expense is based on an estimated allocation of the premium, determined at inception of the hedge, on a fair value basis. Payments received in connection with the Cap Agreement will be reported as a reduction to interest expense, net of the amortization recognized for the premium. If it is determined that a Cap Agreement is not effective, the premium would be reduced and a corresponding charge made to interest expense for the ineffective portion of the Cap Agreement. The maximum cost related to each of the Company's Cap Agreements is limited to the original purchase price (i.e. the premium) of each such instrument. In order to limit credit risk associated with purchased Cap Agreements, the Company only enters into Cap Agreements with financial institutions rated "A" or better by one of the nationally recognized rating agencies. Income generated by the Cap Agreements, if any, would be presented as an off-set to interest expense on the hedged liabilities.

In order to continue to qualify for and to apply hedge accounting, the Cap Agreements are monitored on a quarterly basis to determine whether they continue to be effective or, if prior to the trigger date, whether the Cap Agreement continues to be expected to be effective. If during the term of the Cap Agreement the Company determines that a Cap Agreement is not effective or that a Cap Agreement is not expected to be effective, the ineffective portion of the Cap Agreement will no longer qualify for hedge accounting and, accordingly subsequent changes in its fair value will be reflected in earnings. (See Note 8)

(h) Repurchase Agreements

The Company finances the acquisition of its MBS at short-term borrowing rates through the use of repurchase agreements. Under a repurchase agreement, the Company sells securities to a lender and agrees to repurchase those securities in the future for a price that is higher than the original sales price. The difference between the sale price the Company receives and the repurchase price the Company pays represents interest paid to the lender. Although structured as a sale and repurchase obligation, a repurchase agreement operates as a financing under which the Company effectively pledges its securities as collateral to secure the loan which is equal in value to a specified percentage of the market value of the pledged collateral. The Company retains beneficial ownership of the pledged collateral, including the right to distributions. At the maturity of a repurchase agreement, the Company is required to repay the loan and concurrently receives back its pledged collateral from the lender or, upon mutual consent with the lender, the Company may renew such agreement at the then prevailing financing rate. The repurchase agreements may require the Company to pledge additional assets to the lender in the event the market value of the existing pledged collateral declines. Through March 31, 2002, the Company did not have any margin calls on its repurchase agreements that it was not able to satisfy with either cash or additional pledged

collateral.

The Company enters into repurchase agreements that generally range from one month to 18 months in duration. Should a lender decide not to renew a particular agreement at maturity, the Company must either refinance elsewhere or be in a position to satisfy the obligation. If, during the term of a repurchase agreement, a lender should file for bankruptcy, the Company might experience difficulty recovering its pledged assets and may have an unsecured claim against the lender's assets. To reduce its exposure, the Company enters into repurchase agreements only with financially sound institutions whose holding or parent company's long-term debt rating is "A" or better as determined by at least one of the nationally recognized rating agencies, where applicable. The Company will not enter into repurchase agreements with a lender without the specific approval of the Company's Board of Directors, if the minimum criterion is not met. In the event an existing lender is downgraded below "A," the Company is required to obtain board approval before renewing or entering into additional repurchase agreements with that lender. The Company generally aims to diversify its exposure by entering into repurchase agreements with at least four separate lenders with a maximum loan from any lender of no more than three times the Company's stockholders' equity. As of March 31, 2002, the Company had repurchase agreements with 11 separate lenders with a maximum loan amount of \$527 million and a net exposure (the difference between the amount loaned to the Company and the fair value of the security pledged by the Company as collateral) to a single lender of \$29.4 million. (See Note 9)

(i) Stock Based Compensation

The Company's policy is to apply the intrinsic method of Accounting Principles Bulletin No. 25 ("APB 25") for its direct employees and independent directors. Under the intrinsic method, no compensation expense is recorded when options are issued with an exercise price equal to the market price of the underlying security.

(j) 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 continue to be taxed as a REIT. As such, no provision for current or deferred income taxes has been made in the accompanying financial statements.

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

Basic EPS is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted EPS is computed by dividing net income by the weighted-average common shares and common equivalent shares outstanding during the period. For the diluted EPS calculation, the weighted average common shares and common equivalent shares outstanding are adjusted for the dilutive effect of unexercised stock options using the treasury stock method. Under the treasury stock method, common equivalent shares, which for the Company include common stock options, are calculated assuming that all dilutive common stock options (i.e., options on which the exercise price is below the market price of the Company's common stock during the period) are exercised and the proceeds are used to buy back shares of the Company's outstanding common stock at the average market price during the reported period. No common share equivalents are included in the computation of diluted earnings per share for any period in which their inclusion would be antidilutive. In addition, no common share equivalents are included in the computation of any diluted per share amount for a period

in which a net operating loss is reported. (See Note 12)

(l) Other Comprehensive Income

FAS No. 130, "Reporting Comprehensive Income" requires the Company to display and report comprehensive income, which includes all changes in Stockholders' Equity with the exception of additional investments by or dividends to stockholders. Comprehensive income for the Company includes net income and the change in net unrealized holding gains (losses) on investments and certain derivative instruments. (See Note 13)

(m) Adoption of New Accounting Standards

In July 2001, the FASB issued FAS No. 141, "Business Combinations" ("FAS 141") and FAS No. 142, "Goodwill and Other Intangible Assets" ("FAS 142") which provide guidance on how entities are to account for business combinations and for the goodwill and other intangible assets that arise from those combinations or are acquired otherwise. Pursuant to FAS 142 goodwill is no longer amortized,

but instead be tested for impairment at least annually. As of the date of adoption, the Company had unamortized goodwill in the amount of \$7,189,000. The Company's adoption of FAS 142 on January 1, 2002 did not have a material effect on the Company's financial statements. For the three month period ended March 31, 2001, the Company recognized \$50,000 of goodwill amortization.

In October 2001, the FASB issued FAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS 144"). FAS 144 provides new guidance on the recognition of impairment losses on long-lived assets to be held and used or to be disposed of and also broadens the definition of what constitutes a discontinued operation and how the results of a discontinued operation are to be measured and presented. The Company's adoption of FAS 144 on January 1, 2002 did not have any impact on the Company's financial statements.

(n) New Accounting Pronouncements

On April 30, the FASB issued FASB Statement No. 145 ("FAS 145"), Rescission of FASB Statements No. 4, 44, and 64, "Amendment of FASB Statement No. 13, and Technical Corrections." FAS 145 rescinds both FASB Statement No. 4 ("FAS 4"), "Reporting Gains and Losses from Extinguishment of Debt," and the amendment to FAS 4, FASB Statement No. 64 ("FAS 64"), "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." Through this rescission, FAS 145 eliminates the requirement (in both FAS 4 and FAS 64) that gains and losses from the extinguishment of debt be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. However, an entity is not be prohibited from classifying such gains and losses as extraordinary items, so long as they meet the criteria in paragraph 20 of Accounting Principles Board Opinion No. 30, Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions.

FAS 145 also rescinds FASB Statement No. 44, "Accounting for Intangible Assets of Motor Carriers," which was originally issued to establish accounting standards for the effects of the transition to the provisions of the Motor Carrier Act of 1980, which transition is now complete. Further, FAS 145 amends paragraph 14(a) of FASB Statement No. 13, "Accounting for Leases," to eliminate an inconsistency between the accounting for sale-leaseback transactions and certain lease modifications that have economic effects that are similar to sale-leaseback transactions. The amendment requires that a lease modification (1) results in recognition of the gain or loss in the financial statements, (2) is subject to FASB Statement No. 66, "Accounting for Sales of Real Estate," if the leased asset is real estate (including integral equipment), and (3) is subject (in its entirety) to the sale-leaseback rules of FASB Statement No. 98, "Accounting for Leases: Sale-Leaseback Transactions Involving Real Estate, Sales-Type Leases of Real Estate, Definition of the Lease Term, and Initial Direct Costs of Direct Financing Leases." FAS 145 also makes several other technical corrections to existing pronouncements that may change accounting practice. Generally, FAS 145 is effective for transactions occurring after May 15, 2002. The adoption of FAS 145 is not expected to have a material impact on the Company's financial condition or results of operations.

(o) Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

3. Advisor Merger/Related Parties and Other Related Parties

(a) Advisor Fees and Advisor Merger

From the time of the 1998 Merger through December 31, 2001, the Advisor managed the operations and

investments of the Company and performed administrative services for the Company. Prior to the Advisor Merger, the Advisor was owned directly and indirectly by certain of the Company's directors and executive officers (see discussion below). For the services and functions provided to the Company, the Advisor received a monthly management fee in an amount equal to 1.10% per annum of the first \$300 million of stockholders' equity of the Company, plus 0.80% per annum of the portion of stockholders' equity of the Company above \$300 million. The Company also paid the Advisor, as incentive compensation for each calendar quarter, an amount equal to 20% of the dollar amount by which the annualized return on equity for such quarter exceeded the amount necessary to provide an annualized return on equity equal to the Ten-Year U.S. Treasury rate plus 1%. During the quarter ended March 31, 2001, the Company paid Advisor total fees of \$962,000, of which \$511,000 was attributed to a \$2.6 million gain on the sale of a property.

The Company entered into an Agreement and Plan of Merger, dated September 24, 2001 (the "Advisor Merger Agreement"), with the Advisor, America First Companies L.L.C. ("AFC") and the stockholders of the Advisor. In December 2001, the Company's stockholders approved the terms of the Advisor Merger Agreement, which provided for the Merger of the Advisor into the Company on January 1, 2002. The Company issued 1,287,501 shares of its common stock to the stockholders of the Advisor as merger consideration. As a result, the Company became self advised commencing January 1, 2002 and thereafter has directly incurred the cost of all overhead necessary for its operation and administration. The market value of the common stock issued in the Advisor Merger, valued as of the consummation of the Advisor Merger in excess of the fair value of the net tangible assets acquired, was charged to operating income of the Company for the year ended December 31, 2001.

Certain of the Company's directors and executive officers who were involved in discussions and negotiations relating to the Advisor Merger had, and continue to have, interests that would be affected by the Advisor Merger. At the time of the Advisor Merger, AFC owned 80% of the outstanding capital stock of the Advisor. At that time, Michael Yanney, the Chairman of the Company's Board of Directors, and George H. Krauss, one of the Company's directors, beneficially owned approximately 57% and 17%, respectively, of AFC. In addition, Stewart Zimmerman, the Company's President and Chief Executive Officer, and William S. Gorin, the Company's Executive Vice President, Chief Financial Officer and Treasurer, collectively owned approximately 3% of AFC. At the time of the Advisor Merger, Messrs. Zimmerman, Gorin and Ronald A. Freyberg, the Company's Executive Vice President and Secretary, also owned, in the aggregate, the remaining 20% of the Advisor. Accordingly, the Advisor Merger resulted in these individuals receiving, in the aggregate, beneficial ownership of an additional 1,287,501 shares of the Company's common stock valued at approximately \$11.3 million at the time of the Advisor Merger.

Because the Advisor Merger was between affiliated parties and may not be considered to have been negotiated in a completely arm's-length manner, the Company's Board of Directors established a special committee of the Board, which consisted of three of the Company's independent directors who had no personal interest in the Advisor Merger, to direct the negotiations relating to the Advisor Merger on the Company's behalf and to consider and make recommendations to the Board relating to the Advisor Merger.

(b) Other Related Party Transactions

America First Properties Management Company L.L.C. (the "Property Manager") is a wholly owned subsidiary of AFC, provides property management services for certain of the multi-family properties in which the Company has an interest. The Property Manager receives a management fee equal to a stated percentage of the gross revenues generated by the Company's properties under management, ranging from 3.5% to 4% of gross revenues, which are considered in line with market terms for such services. The Property Manager was paid fees totaling \$109,000 and \$108,000 for the quarters ended March 31, 2002 and 2001, respectively for managing the properties in which the Company has interests.

Included in the Company's corporate debt securities portfolio are investments in the corporate debt securities of RCN Corporation ("RCN"), which were purchased between February 1999 and August 2000, and Level 3 Corporation ("Level 3"), which were purchased between August 1998 and August 2000. At March 31, 2002, the Company's investment in (i) the RCN debt securities had a carrying value of \$2,147,000, and (ii) the Level 3 debt securities had a carrying value of \$3,080,000. The carrying value of both of the RCN and Level 3 debt securities reflect impairment charges recognized against these investments. The Company recognized an other-than-temporary impairment charge of \$2,453,000 on the RCN debt securities in the fourth quarter of 2001 and \$3,474,000 on the Level 3 debt securities during the quarter ended March 31, 2002. The impairment charges, which

AMERICA FIRST MORTGAGE INVESTMENTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
(UNAUDITED)

are reflected as a permanent reduction in the carrying value of these investments, were made based on management's assessment that the decline in the value of these securities that was other-than-temporary. Mr. Yanney, the Chairman of the Company's Board of Directors, is currently on the board of directors of both RCN and Level 3. One of the Company's Directors, W. David Scott, is the son of the individual who is the Chairman of both Level 3 and RCN. (See Note 5)

Since 1998, the Company has held all of the non-voting preferred stock, representing 95% of the ownership and economic interest, in Retirement Centers Corporation ("RCC"), an entity formed following the 1998 Merger which holds certain of the properties in which the Company has investments in (See Note 7). Mr. Gorin, the Company's Executive Vice President, Chief Financial Officer and Treasurer, holds all of the common stock of RCC, representing 5% of the ownership and economic interest in RCC. Mr. Gorin also serves as a director of

4. Mortgage Backed Securities

As of March 31, 2002 and December 31, 2001, all of the Company's MBS were classified as available-for-sale and, as such, were carried at their estimated fair value. The following table presents the carrying value of the Company's MBS as of March 31, 2002 and December 31, 2001.

	March 31, 2002	December 31, 2001
	-----	-----
(In Thousands)		
Fannie Mae Certificates	\$1,587,613	\$1,228,095
Ginnie Mae Certificates	6,996	12,266
Freddie Mac Certificates	835,001	472,908
Commercial AAA	11,583	11,486
Non-agency AAA	196,233	202,145
	-----	-----
	\$2,637,426	\$1,926,900
	=====	=====

At March 31, 2002 and December 31, 2001, the Company's portfolio of MBS consisted of pools of adjustable rate MBS with carrying values of approximately \$2,630,523,000 and \$1,915,380,000, respectively, and fixed rate MBS with carrying values of approximately \$6,903,000 and \$11,520,000, respectively.

Fannie Mae: Fannie Mae MBS are certificates issued by Fannie Mae that are backed by pools of single-family and multi-family mortgage loans. Fannie Mae guarantees to the registered holders of its certificates that it will distribute amounts representing scheduled principal and interest on the mortgage loans in the pool underlying its certificates, whether or not received, and the full payment amount of any such mortgage loan foreclosed or otherwise finally liquidated, whether or not the principal amount is actually received. The obligations of Fannie Mae under its guarantees are solely those of Fannie Mae and are not backed by the full faith and credit of the U.S. Government. If Fannie Mae were unable to satisfy its obligations, distributions to holders of its certificates would consist solely of payments and other recoveries on the underlying mortgage loans and, accordingly, monthly distributions to holders of its certificates would be affected by delinquent payments and defaults on these mortgage loans.

Ginnie Mae: Ginnie Mae MBS are certificates issued by a wholly owned instrumentality of the U.S. Government within the Department of Housing and Urban Development that are backed mostly by pools of single-family mortgage loans. Ginnie Mae is authorized by the National Housing Act of 1934 to guarantee the timely payment of principal and interest on its certificates which represent an interest in a pool of mortgages insured by the Federal Housing Administration or partially guaranteed by the Department of Veterans Affairs and other loans eligible for inclusion in mortgage pools underlying its certificates. The National Housing Act of 1934 provides that the full faith and credit of the U.S. Government is pledged to the payment of all amounts which may be required to be paid under any guarantee by Ginnie Mae.

Freddie Mac: Freddie Mac MBS are certificates issued by Freddie Mac that are backed by pools of multi-family mortgage loans. Freddie Mac guarantees to the holders of its certificates the timely payment of interest and the ultimate collection of all principal on each holder's pro rata share of the unpaid balance of the underlying mortgage loans, but does not guarantee the timely payment of scheduled principal of the underlying mortgage loans. The obligations of Freddie Mac under its guarantees are solely those of Freddie Mac and are not backed by the full faith and credit of the U.S. Government. If Freddie Mac were unable to satisfy its obligations, distributions to

holders of its certificates would consist solely of payments and other recoveries on the underlying mortgage loans and, accordingly, monthly distributions to holders of its certificates would be affected by delinquent payments and defaults on these mortgage loans.

Commercial: The Company's investments in commercial MBS are comprised of privately issued certificates that are backed by pools of single-family and multi-family mortgage loans. These securities are not guaranteed by the U.S. Government or any of its agencies. As of March 31, 2002 and December 31, 2001, all the Company's investments in commercial MBS were rated "AAA" by at least one nationally recognized rating agency.

Non-Agency "AAA": Non-Agency "AAA" MBS are privately issued certificates that are backed by pools of single-family and multi-family mortgage loans.

Non-Agency "AAA" MBS are rated as such by one of the nationally recognized rating agencies. "AAA" is the highest rating given by bond rating agencies and indicates the relative security of the investment. These securities are not guaranteed by the U.S. Government or any of its agencies.

The following table presents the amortized cost, gross unrealized gains, gross unrealized losses and fair value of MBS as of March 31, 2002 and December 31, 2001:

	March 31, 2002	December 31, 2001
	-----	-----
(In Thousands)		
Amortized cost	\$ 2,639,249	\$ 1,923,334
Gross unrealized gains	8,902	8,339
Gross unrealized losses	(10,725)	(4,773)
	-----	-----
Estimated fair value	\$ 2,637,426	\$ 1,926,900
	=====	=====

5. Corporate Debt Securities

The Company has investments in corporate debt securities, which are comprised of "non-investment grade," "high yield securities." Corporate debt securities, which are not guaranteed by the U.S. Government or any of its agencies, are subject to substantially greater credit risk than are the Company's core investment portfolio, which is comprised primarily of Agency MBS. As such, corporate debt securities are affected by, among other things, changes in the financial condition of the debtor, general market and economic conditions and market interest rates.

During the quarter ended March 31, 2002, the Company recognized an impairment charge of \$3,474,000 against its holdings of Level 3 debt securities and in the fourth quarter of 2001, the Company recognized an impairment charge of \$2,453,000 against its holdings of RCN debt securities. As of March 31, 2002, all of the Company's investments in corporate debt securities were designated as available-for-sale.

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AMERICA FIRST MORTGAGE INVESTMENTS, INC. NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

The following tables presents the amortized cost, gross unrealized gains, gross unrealized losses and estimated fair value of the Company's corporate debt securities by investment strategy classification as of March 31, 2002 and December 31, 2001.

<TABLE>
<CAPTION>

	March 31, 2002	December 31, 2001
	-----	-----
<S>	<C>	<C>
(In Thousands)		
Held-to-maturity securities:		
Amortized cost/carrying value	\$ --(1)	\$ 7,627
Gross unrealized gains	--	--
Gross unrealized losses	--	(3,439)
	-----	-----
Estimated fair value	\$ --	\$ 4,188
	=====	=====
Available-for-sale securities:		
Amortized cost, as adjusted	\$ 6,300(2)	\$ 2,147
Gross unrealized gains	10	--
Gross unrealized losses	(681)	--
	-----	-----
Estimated fair value/carrying value	\$ 5,629	\$ 2,147
	=====	=====
Corporate Debt Securities -carrying value:		
Held-to-maturity securities	\$ --	\$ 7,627
Available-for-sale securities	5,629	2,147
	-----	-----
	\$ 5,629	\$ 9,774
	=====	=====

</TABLE>

(1) All debt securities were reclassified to available-for-sale as of March 31, 2002.

(2) Reflects write-downs to the cost basis of \$3,474,000 and \$2,453,000 for Level 3 and RCN debt securities, respectively, for other-than-temporary impairment. Level 3 and RCN debt securities accounted for \$3,080,000 and \$2,147,000 of the amortized cost/carrying value at March 31, 2002. The Company continues to receive and recognize interest income on the Level 3 and RCN debt securities.

6. Corporate Equity Securities

Corporate equity securities are classified as available-for-sale. The following table presents the cost, gross unrealized gains, gross unrealized losses and fair value of the Company's corporate equity securities as of March 31, 2002 and December 31, 2001:

<TABLE>			
<CAPTION>			
	March 31,	December 31,	
	2002	2001	
	-----	-----	
<S>	<C>	<C>	
(In Thousands)			
Cost	\$ 672	\$3,378	
Gross unrealized gains	111	710	
Gross unrealized losses	--	--	
	-----	-----	
Carrying value/Estimated fair value	\$ 783	\$4,088	
	=====	=====	
</TABLE>			

7. Other Investments

Other investments consisted of the following as of March 31, 2002 and December 31, 2001:

<TABLE>			
<CAPTION>			
	March 31,	December 31,	
	2002	2001	
	-----	-----	
<S>	<C>	<C>	
(In Thousands)			
Investment in Retirement Centers Corporation	\$5,594	\$5,572	
Investments in and advances to real estate limited partnerships	4,250	4,228	
	-----	-----	
	\$9,844	\$9,800	
	=====	=====	
</TABLE>			

As of March 31, 2002 and December 31, 2001, the Company had a net investment as a preferred stockholder in RCC and net investments in four limited partnerships. These entities had an aggregate of approximately \$48.1

AMERICA FIRST MORTGAGE INVESTMENTS, INC. NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

million of non-recourse mortgage loans secured by the underlying investment properties. The Company has no recourse liability for any of these mortgage loans, since the mortgages have non-recourse provisions, such that they are secured only to the extent of the collateral, which is comprised of the mortgaged property.

Income from the Company's other investments was as follows for the quarters ended March 31, 2002 and 2001 were as follows:

	March 31,	March 31,	
	2002	2001	
	-----	-----	
(In Thousands)			
Gains on sale of underlying properties	\$ --	\$2,574	
Equity earnings, net	59	380	
	-----	-----	
	\$ 59	\$2,954	
	=====	=====	

Retirement Center Corporation

The Company owns 100% of the non-voting preferred stock in RCC, which represents a 95% economic interest in such corporation. The Company accounts for its investment in RCC using the equity method.

As of March 31, 2002, RCC owned (i) a 128-unit apartment property located in Omaha, Nebraska, known as the "Greenhouse," which was acquired on January 12, 2000 and (ii) an 88.3% undivided interest in a 192-unit apartment property located in Lawrenceville, Georgia, which was acquired on January 18, 2001. The Company also directly acquired the remaining 11.7% undivided interest in the Georgia property on January 18, 2001. In addition, in December 2000, the Company loaned Greenhouse Holding LLC (which holds the Greenhouse property), \$437,000 to fund building renovations. This loan, which is non-amortizing, is due and payable July 31, 2002, is included in the above table in the Company's investment in RCC at March 31, 2002 and December 31, 2001.

At December 31, 2000, RCC owned in addition to the 128-unit apartment property referenced above, a limited partnership interest in a real estate limited partnership, which operated an assisted living center located in Salt Lake City, Utah. On January 2, 2001, the limited partnership, which owned the assisted living center, was liquidated with RCC receiving an undivided interest in the net assets of such partnership. RCC then sold its undivided interest in the net assets of this assisted living center. Such sale contributed approximately \$2,063,000 (\$2,574,000 less a related incentive fee of approximately \$511,000 reflected in other general and administrative expense) to the Company's net income for the quarter ended March 31, 2001. The proceeds of such sale were utilized to acquire the 192-unit apartment property on January 18, 2001 as discussed above.

Real Estate Limited Partnerships

Other investments include investments in and advances made to certain real estate limited partnerships in which the Company holds interests. The Company acquired certain of these investments as part of the 1998 Merger, some of which were subsequently exchanged for other properties through a non-taxable exchange, known for tax purposes as a "Section 1031 exchange." The investments in or advances made to limited partnerships are accounted for under the equity method of accounting. Certain of the investments have a zero carrying value and, as such, earnings are recorded only to the extent distributions are received. Such investments have not been reduced below zero through recognition of allocated investment losses since the Company has no legal obligation to provide additional cash support to the underlying property partnerships as it is not the general partner, nor has it indicated any commitment to provide this support.

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AMERICA FIRST MORTGAGE INVESTMENTS, INC. NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

8. Interest Rate Cap Agreements

The Company only enters into Cap Agreements with financially sound institutions whose holding or parent company's long-term debt rating is "A" or better, as determined by at least one of the nationally recognized rating agencies, where applicable. In the unlikely event of a default by the counterparty, the Company would not receive payments provided for under the terms of the Cap Agreement and could incur a loss for the initial cost of entering into the Cap Agreement.

As of March 31, 2002, the Company had five interest rate Cap Agreements with an aggregate notional amount of \$150.0 million which were purchased to hedge against increases in interest rates on its anticipated future 30-day term repurchase agreements. The following table presents information about the Company's Cap Agreements as of March 31, 2002:

<TABLE>
<CAPTION>

Gross Unrealized Gain	Weighted		Notional Amount	Unamortized Premium	Estimated Fair Value/Carrying Value
	Average Active Period	Libor Trigger Rate (1)			
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
(Dollars in Thousands)					
Months until active:					
Within six months	--	--	--	--	--
Six to nine months	12 Months	5.75%	\$ 50,000	\$ 350	\$ 397
\$ 47					
Nine to 12 months	--	--	--	--	--
12 to 24 months	18 Months	4.75	100,000	1,486	1,802
316					

-----	-----	-----	-----	-----	-----
Weighted Average/Total \$363	15 Months	5.08%	\$150,000	\$1,836	\$2,199
=====	=====	=====	=====	=====	=====
</TABLE>					

(1) The rate at which payments would become due to the Company under the terms of the cap agreement.

9. Repurchase Agreements

As of March 31, 2002, the Company had outstanding balances of approximately \$2.49 billion under 142 repurchase agreements with a weighted average borrowing rate of 2.41% and a weighted average remaining maturity of approximately seven months. As of March 31, 2002, the repurchase agreements had the following remaining maturities:

	March 31, 2002
(In Thousands)	-----
Within 30 days	\$ 150,113
31 to 60 days	329,960
61 to 90 days	236,522
3 to 6 months	625,028
6 to 9 months	160,100
9 to 18 months	985,670

	\$2,487,393
	=====

The repurchase agreements are collateralized by the Company's MBS and corporate debt securities, which had a carrying value of approximately \$2.64 billion as of March 31, 2002. The Company's repurchase agreements generally bear interest at rates that are LIBOR based.

10. Commitments and Contingencies

Securities purchase commitments

At March 31, 2002, there was a commitment to purchase a \$25.0 million Fannie Mae adjustable rate MBS which had a coupon of 5.40% at a purchase price of 100.84% of par.

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AMERICA FIRST MORTGAGE INVESTMENTS, INC. NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

11. Stockholders' Equity

(a) Dividends/Distributions

The following presents dividends declared by the Company from January 1, 2001 through March 31, 2002:

<TABLE>
<CAPTION>

	Declaration Date	Record Date	Payment Date	Dividend per Share
<S>	-----	-----	-----	-----
	2002	<C>	<C>	<C>
	March 12, 2002	March 28, 2002	April 30, 2002	\$ 0.280
	March 12, 2002	March 28, 2002	April 30, 2002	0.020 (1)
	2001			
	February 12, 2001	April 16, 2001	April 30, 2001	\$ 0.165
	April 9, 2001	June 30, 2001	July 16, 2001	0.175
	September 19, 2001	October 2, 2001	October 18, 2001	0.225
	December 12, 2001	December 28, 2001	January 30, 2002	0.280

</TABLE>

(1) Represents a special dividend declared, in addition to the quarterly dividend.

(b) Common Stock Offering

On January 18, 2002, the Company issued 7,475,000 shares of its common stock at \$8.25 per share, raising net proceeds of approximately \$58.2 million.

(c) Shelf Registration

On September 25, 2001, the Company filed a registration statement on Form S-3 with the Securities and Exchange Commission under the Securities Act of 1933, as amended, (the "Act"), with respect to an aggregate of \$300,000,000 of common stock and/or preferred stock that may be sold by the Company from time to time pursuant to Rule 415 under the Act. On October 5, 2001, the Commission declared the registration statement effective. As of March 31, 2002, the Company had approximately \$174.3 million remaining under this shelf registration statement.

(d) Stock Repurchase Plan

The Company did not repurchase any of its common stock during the three months ended March 31, 2002. Since implementing the stock repurchase program during the fourth quarter of 1999, through March 31, 2002, the Company had repurchased and retired 378,221 shares at an aggregate cost of \$1,924,000.

12. EPS Calculation

The following table presents the reconciliation between basic and diluted shares outstanding used in calculating basic and diluted EPS for the three months ended March 31, 2002 and 2001:

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	2002	2001
<S>	<C>	<C>
(In Thousands)		
Weighted average shares outstanding - basic	34,329	8,693
Add effect of assumed shares issued under treasury stock method for stock options	124	64
Weighted average shares outstanding - diluted	34,453	8,757

</TABLE>

AMERICA FIRST MORTGAGE INVESTMENTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
(UNAUDITED)

13. Other Comprehensive Income/Accumulated Other Comprehensive Income

Comprehensive income for the three months ended March 31, 2002 and 2001 was as follows:

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	2002	2001
<S>	<C>	<C>
(In Thousands)		
Net income	\$ 9,557	\$4,068
Other comprehensive income:		
Net unrealized holding gains (losses) on investment securities arising during the period	(6,729)	3,309
Unrealized appreciation on Cap Agreements arising during the period	200	--
Comprehensive income	\$ 3,028	\$7,377

</TABLE>

Accumulated other comprehensive income at March 31, 2002 and December 31, 2001 was as follows:

<TABLE>
<CAPTION>

	March 31, 2002	December 31, 2001
<S>	<C>	<C>
(In Thousands)		
Unrealized gains on available-for-sale securities:		
MBS	\$ 8,902	\$ 8,409
Corporate debt securities	10	--

Corporate equity securities	111	710
Unrealized losses on available-for-sale securities:		
MBS	(10,725)	(4,773)
Corporate debt securities	(681)	--
Corporate equity securities	--	--
	-----	-----
	(2,383)	4,346
Unrealized appreciation on Cap Agreements	363	163
	-----	-----
Accumulated other comprehensive income	\$ (2,020)	\$ 4,509
	=====	=====

</TABLE>

14. 1997 Stock Option Plan and Employment Agreements

(a) 1997 Stock Option Plan

The Company's 1997 Stock Option Plan, as amended (the "1997 Plan"), authorizes the granting of options to purchase an aggregate of up to 1,400,000 shares of the Company's common stock, but not more than 10% of the total outstanding shares of the Company's common stock. The Plan authorizes the Board of Directors, or a committee of the Board of Directors, to grant Incentive Stock Options ("ISOs"), as defined under section 422 of the Code, non-qualified stock options ("NQSOs") and dividend equivalent rights ("DERs") to eligible persons. The exercise price for any options granted to eligible persons under the 1997 Plan shall not be less than the fair market value of the common stock on the day of the grant. The options expire if not exercised ten years from the date of grant or upon certain other conditions.

DERs on the ISOs vest on the same basis as the options and DERs on NQSOs become fully vested one year following the date of grant. Dividends are paid on vested DERs only to the extent of ordinary income. DERs are not entitled to distributions representing a return of capital. Dividends paid on DERs attached to ISOs are charged to stockholders' equity when declared and dividends paid on DERs attached to NQSOs are charged to earnings when declared. For the three months ended March 31, 2002 and 2001, the Company recorded charges of \$150,000 and \$82,500, respectively, to stockholders' equity (included in dividends paid or accrued) associated with the DERs on ISOs and charges of \$1,125 and \$825, respectively, to earnings associated with DERs on NQSOs. As of March 31, 2002, 503,750 DERs were outstanding, all of which were fully vested.

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AMERICA FIRST MORTGAGE INVESTMENTS, INC. NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

ISOs granted to the executive officers of the Company, who were also employees of the Advisor, were accounted for under the fair value method established under FAS 123, "Accounting for Stock Based Compensation" ("FAS 123") resulting in option related expenses recognized over the vesting period. Management used the Black-Scholes valuation model to determine the option expense. Since the Company commenced operations in 1998, management used assumptions consistent with activity of a comparable peer group of companies, including an estimated option life, a volatility rate, a risk free rate and a current dividend yield for the 1998 and 1999 grants (or 0% if the related DERs are issued).

Effective January 1, 2002, the status of the employees of the Advisor changed such that they became employees of the Company, resulting in a change in status of these individuals. Accordingly, the unvested options outstanding as of January 1, 2002 were treated as newly granted options to employees and accounted for under the APB 25, with the difference between the fair market value of the Company's common stock and option price expensed over the remaining vesting period of approximately seven months. For the quarter ended March 31, 2002, the Company recognized \$24,000 of employee related compensation expense for stock options and recognized \$126,000 of stock option related expense for options granted to non-employees for the quarter ended March 31, 2001.

NQSOs were granted to the Company's directors as consideration for the performance of their duties as directors. The Company treated the directors as employees for purposes of applying FAS 123 and, in accordance with its policy, accounted for the NQSOs under APB 25, as described earlier, with no expense recognized for the NQSOs, as the exercise price was equal to the market value of the Company's common stock at the time of grant.

(b) Employment Agreements

Effective January 1, 2002, the Company assumed the employment agreements with Messrs Zimmerman, Gorin and Freyberg that provide for, among other things, base salaries of \$300,000, \$200,000 and \$200,000 per year, respectively, a minimum aggregate bonus pool of \$265,000 and an additional annual bonus pool of 0.65% of additional equity capital that the Company raises.

On March 12, 2002, the Board of Directors adopted a proposal to restructure the salaries and bonuses currently being paid to Messrs. Zimmerman, Gorin and Freydborg. Specifically, the new compensation plan, which is scheduled to take effect on August 1, 2002, provides that the salaries to be paid to Messrs. Zimmerman, Gorin, and Freydborg will be equal to 0.25%, 0.20% and 0.20%, respectively, of the Company's tangible net worth, which will be calculated on a semi-annual basis on each June 30 and December 31. In the event that the Company's annualized return on equity for any given six-month period were to fall below 10%, the salaries to be paid to Messrs. Zimmerman, Gorin and Freydborg with respect to the following six-month period would be adjusted downward to equal (i) 0.2375%, 0.19% and 0.19%, respectively, of the Company's tangible net worth if its annualized return on equity was between 10% and 5% and (ii) 0.225%, 0.18% and 0.18%, respectively, of the Company's tangible net worth if its annualized return on equity was less than 5%. Notwithstanding the foregoing, the annual base salaries payable to Messrs. Zimmerman, Gorin and Freydborg pursuant to the new compensation plan will in no event exceed \$1,000,000, \$750,000 and \$750,000, respectively. In addition, the new compensation plan provides for a performance bonus to be paid to Messrs. Zimmerman, Gorin and Freydborg based on the determination of the Compensation Committee of the Board of Directors as to the amount, manner and timing of such bonus payment. As a result of the adoption of the new compensation plan by the Board of Directors, Messrs. Zimmerman, Gorin and Freydborg will no longer be eligible to receive the bonus, which is currently provided for in their existing employment contracts, equal to 0.65% of any additional equity capital that the Company may raise. The Company also expects to enter into an employment agreement with Ms. Teresa Covello, the Company's Senior Vice President/Controller, that will provide for an annual salary of \$140,000 and an opportunity to earn a bonus, subject to approval by the Compensation Committee.

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AMERICA FIRST MORTGAGE INVESTMENTS, INC.

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with all of the financial statements and notes included in Item 1 of this Quarterly Report on Form 10-Q as well as the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

GENERAL

America First Mortgage Investments, Inc. is primarily engaged in the business of investing in adjustable rate MBS. The Company's investment portfolio consists primarily of MBS guaranteed as to principal and interest by an agency of the U.S. Government, such as Ginnie Mae, Fannie Mae or Freddie Mac (collectively referred to as "Agency Securities"), and, to a lesser extent, high quality MBS, rated in one of the two highest rating categories by at least one nationally recognized rating agency. The Company's investment strategy also provides for the acquisition of multi-family housing properties, securities in real estate investment trust securities and high-yield corporate debt and equity securities. The Company's principal business objective is to generate net income for distribution to its stockholders resulting from the spread between the interest and other income it earns on its investments and the cost of financing such investments.

The Company has elected to be taxed as a REIT for federal income tax purposes. Pursuant to the current federal tax regulations, one of the requirements of maintaining its status as a REIT is that the Company must distribute at least 90% of its annual taxable net income to its stockholders, subject to certain adjustments.

The Company was incorporated in Maryland on July 24, 1997 and began operations on April 10, 1998 when it merged with the Prep Funds. As a result of the 1998 Merger, Prep Fund 1 and Prep Fund 2 were merged directly into the Company and Pension Fund became a partnership subsidiary of the Company. In December 1999, Pension Fund was liquidated and dissolved and, as a result, the Company acquired approximately 99% of the assets of Pension Fund. The remaining assets, consisting solely of cash, were distributed to the holders of Pension Fund securities who elected to remain in place following the 1998 Merger. As a result of the 1998 Merger, the Company issued a total of 9,035,084 shares of its common stock to the former partners of the Prep Funds.

Following the completion of the 1998 Merger through December 31, 2001, the Company was an externally advised and managed REIT. As such, the Company had no employees and relied entirely on the Advisor to perform all of the duties that are generally performed by internal management. Pursuant the Advisory Agreement, the Advisor provided the day-to-day management of the Company's operations for a fee, which was calculated on a quarterly basis. The Advisor was a subsidiary of AFC.

On December 12, 2001, the Company's stockholders approved the terms of the Advisor Merger Agreement, dated September 24, 2001, among the Company, the Advisor, AFC and the stockholders of the Advisor which provided for the Advisor Merger. The Advisor Merger became effective on January 1, 2002. As a result of the Advisor Merger, the Company became a self-advised REIT and, as such, is no longer be required to pay a fee to the Advisor under the Advisory Agreement, but rather directly incurs all of the costs of operating the Company. In connection with the Advisor Merger, the employees of the Advisor became employees of the Company and the Company assumed the employment contracts of these individuals. The Company also acquired all of the tangible and intangible business assets of the Advisor.

The Company's core business strategy is to invest on a leveraged basis in a portfolio of high-grade adjustable rate MBS, which primarily consist of Agency MBS. Beginning in June 2001, the Company significantly began to increase its asset base by leveraging equity raised through public offerings of the Company's common stock. As a result, the Company has experienced significant growth in interest income, interest expense and net interest income. The Company's total assets grew to \$2.76 billion at March 31, 2002 from \$563 million at March 31, 2001. As of March 31, 2002, 98% of the Company's consisted of Agency MBS, AAA rated MBS and cash. The Company also held interests in corporate and partnership entities that owned six apartment properties, containing a total of 1,473 rental units. Four of these apartment properties are located in Georgia, one is located in North Carolina and one is located in Nebraska. In addition, the Company held publicly-traded equity and debt securities valued at approximately \$6.4 million.

AMERICA FIRST MORTGAGE INVESTMENTS, INC.

The results of the Company's operations are affected by various factors, many of which are beyond the control of the Company. The results of the Company's operations primarily depend on, among other things, the level of its net interest income, the market value of its assets and the supply of and demand for such assets. The Company's net interest income varies primarily as a result of changes in short-term interest rates, borrowing costs and prepayment rates, the behavior of which involves various risks and uncertainties as set forth below. Prepayment rates and interest rates vary according to the type of investment, conditions in financial markets, competition and other factors, none of which can be predicted with any certainty. In addition to these factors, borrowing costs are further affected by the credit worthiness of the borrower. Since changes in interest rates may significantly affect the Company's activities, the operating results of the Company depend, in large part, upon the ability of the Company to effectively manage its interest rate and prepayment risks while maintaining its status as a REIT. The Company also has risks inherent in its other investments, including its debt and equity securities, interests in multi-family real estate properties and hedging instruments. Because these investments represented less than 1.0% of the Company's total assets at March 31, 2002, the risk relating to these assets is limited, but nonetheless these investment have the potential of causing a material impact on the Company's operating performance.

RESULTS OF OPERATIONS

Three Month Period Ended March 31, 2002 Compared to the Three Month Period Ended March 31, 2001

Due to the significant growth in the Company's assets as well as the completion of the Advisor Merger on January 1, 2002, the amount and components of the Company's income and expenses for the quarter ended March 31, 2002 differ significantly from those for the period ended March 31, 2001.

Net income increased to \$9.6 million for the three months ended March 31, 2002, reflecting basic and diluted earnings per share of \$.28, from \$4.1 million, or basic earnings per common share of \$0.47 (\$0.46 per diluted share), for the three months ended March 31, 2001. Comparing the first quarter of 2002 to the first quarter of 2001, the Company's core net revenue, comprised of net interest income, increased by \$11.4 million, or 483%, to \$13.8 million for the 2002 period from \$2.4 million for the 2001 period. This increase in net interest income reflects the significant growth in the Company's balance sheet. In addition, significant non-recurring items are reflected in the periods ended March 31, 2002 and 2001. During the quarter ended March 31, 2002, the Company recognized a charge of \$3.5 million against its debt securities portfolio, due to an other-than-temporary decline in market value of a corporate debt security. In addition, during the first quarter of 2001, the Company realized a gain of \$2.6 million on the sale of an assisted living center; no such gain was realized during the first quarter of 2002. For tax purposes, the proceeds of this sale were reinvested and the gain deferred. Because the Company operates as a REIT, the Company sets its dividend rates based on the Company's taxable income. Neither the charge against earnings for the other-than-temporary decline in value of the debt securities nor the gain on the sale of the assisted living center affected the Company's taxable income because such gains/losses have not been realized for tax purposes.

During the three months ended March 31, 2002, total interest and dividend income increased \$18.4 million, or 206%, to \$27.3 million from \$8.9 million for the three months ended March 31, 2001. This increase reflects the significant growth in the Company's interest earning assets which was funded through new equity raised and the leveraging of that equity. The Company's average interest-earning assets for the three months ended March 31, 2002 were \$2.38 billion, compared to \$529 million for the first quarter of 2001. The increase in interest income generated by the growth in interest earning assets was partially offset by a decrease in the yield on interest earning assets to 4.65% from 6.81% for the comparable period in 2001.

The Company's interest expense on borrowed funds (i.e., repurchase agreements) increased by \$6.9 million, or 106.3%, to \$13.5 million, for the three months ended March 31, 2002, compared to \$6.5 million for the first quarter of 2001, reflecting the significant increase in borrowings. The increase in interest expense related to the volume increase of repurchase agreements was partially off-set by a reduction in the average rate paid for borrowings of 3.07%, to 2.55% for the first quarter of 2002 from 5.62% for the comparable 2001 period. The increase in borrowings was facilitated by the Company's increase in equity generated from its common stock offerings during the second and third calendar quarters of 2001 and the first quarter of 2002. (See Liquidity and Capital Resources.)

The declining interest rate environment that began during 2001 has benefited the Company, as the Company's interest bearing liabilities (i.e., repurchase agreements) have repriced more rapidly than its interest earning assets. The Company's interest rate margin (i.e., annualized net interest and dividend income divided by average interest

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earning assets) was 2.35% for the three months ended March 31, 2002, compared to 1.81% for the same period in 2001. The net interest rate spread improved to 2.10% for the first quarter of 2002, compared to 1.19% for the first quarter of 2001.

Income from other investments decreased by \$2.9 million for the three months ended March 31, 2002, compared to the first quarter of 2001. The first quarter of 2001 included a non-recurring gain of \$2.6 million from the sale, by a non-consolidated limited partnership, of its undivided interest in the net assets of an assisted living center. This gain, net of an incentive fee of \$511,000 paid to the Advisor, contributed income of \$0.24 per common share for the quarter ended March 31, 2001. In addition, the operating performance of the Company's investment in multi-family apartment complexes decreased during the first quarter of 2002, compared to the first quarter of 2001, reflecting a softening of the Atlanta, Georgia rental market, where four of the six properties in which the Company has investments are located. The Company's investment in these properties was intended to compliment the performance of the MBS portfolio, offering a degree of asset diversification. Given the significant growth of the Company during 2001 and continuing into 2002, revenues generated from the investments in the rental properties have become a relatively insignificant component of the Company's revenue, as the investments in real estate represented less than 1% of total assets as of March 31, 2002.

During the first quarter of 2002, the Company recognized a loss of \$3.5 million, or \$(0.10) per share, for an other-than-temporary impairment on its corporate debt securities portfolio. This loss was entirely attributable to an investment in the corporate debt securities of Level 3 Corporation. As of March 31, 2002, the Level 3 debt securities, which had a face value of \$7.0 million and amortized cost of \$6.6 million, were carried at \$3.1 million, reflecting a \$3.5 million write-down of the carrying value. Management will continue to monitor its investment Level 3 and, if necessary, may take additional charges against this investment. As of March 31, 2002, all of the Company's debt securities were designated as available-for-sale, with temporary changes in their market value included as a component of other comprehensive income. As of March 31, 2002, the Company's aggregate investment in debt securities comprised less than 1% of total assets. (See Note 5 to the Financial Statements).

During the quarter ended March 31, 2002, the Company realized gains of \$595,000 and losses of \$181,000 on the sale of equity and mortgage-backed securities. During the first quarter of 2001, the Company realized gains of \$44,000 and no losses on the sale of securities.

The Company's general and administrative expenses for the first quarter of 2002 for the first time since the Company began operations in 1998 reflected the Company's direct operating expenses, as such the expenses incurred during the first quarter of 2002 are not comparative with the expenses incurred during the quarter ended March 31, 2001, which were almost exclusively comprised of a base management fee and incentive fee, both of which were based on a formula, paid to the Advisor. During the quarter ended March 31, 2001, the Company paid the Advisor total fees of \$962,000, of which \$511,000 was attributed to a \$2.6 million gain on the sale of a property. (See Note 7 to the Financial

Statements.) For the quarter ended March 31, 2002, the Company incurred \$1.2 million of operating expenses of which, \$793,000 related to employee compensation and benefits, with the remainder representing general corporate overhead, including rent on the Company's headquarters, corporate insurance, professional fees and miscellaneous other operating costs.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of liquidity consist of borrowings under repurchase agreements, principal payments received on its portfolio of MBS, cash flows generated by operations and proceeds from capital market transactions. The Company's principal uses of cash include: purchases of MBS and, to a lesser extent, may include investments in corporate debt and equity securities and hedge instruments; payments for operating expenses; and the payment of dividends on the Company's common stock.

Borrowings under repurchase agreements totaled \$2.49 billion as of March 31, 2002, compared to \$1.85 billion at December 31, 2001. This increase in leverage was facilitated by the increase in the Company's capital as a result of the public stock offering completed in January 2002. The proceeds from the sale of the Company's common stock along with the incremental borrowings under repurchase agreements were primarily used to purchase adjustable-rate Agency MBS and, to a lesser extent, adjustable-rate AAA-rated MBS. At March 31, 2002, the Company's repurchase agreements had a weighted average borrowing rate of 2.41%, on loan balances of between \$8.0 million and \$527.3 million. Beginning in 2002, the Company entered into repurchase agreements with terms to

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maturity of up to 18 months; prior to that time the maximum term to maturity was 12 months at inception of the loan. These agreements generally have original terms to maturity ranging from one month to 18 months and interest rates that are typically based off of LIBOR. To date, the Company has not had any margin calls on its repurchase agreements that it was unable to satisfy with either cash or additional pledged collateral.

On January 18, 2002, the Company issued 7,475,000 shares of its common stock, generating net proceeds of \$58.2 million in a public offering. These shares were issued at \$8.25 per share, generating gross offering proceeds, before expenses and underwriting fees, of \$61.7 million. As of March 31, 2002, the net proceeds were fully invested and fully leveraged, as reflected in the Company's debt to equity ratio of 10 times tangible capital. Following the completion of the January 2002 equity offering, the Company had \$174.3 million remaining on the shelf registration statement filed with the Securities and Exchange Commission ("SEC") on September 25, 2001 relating to \$300 million of its common stock and preferred stock.

To the extent the Company raises additional equity capital from future sales of common and/or preferred stock pursuant to its shelf registration statement, the Company anticipates using the net proceeds primarily to acquire additional adjustable rate MBS. Management may also consider additional interests in multi-family apartment properties and other investments consistent with its operating policies. There can be no assurance, however, that the Company will be able to raise additional equity capital at any particular time or on any particular terms.

During the quarter ended March 31, 2002, principal payments on MBS generated cash of \$280.5 million and operations provided a net of \$13.6 million in cash. In addition, during the first quarter of 2002, the Company received proceeds of \$3.2 million from the sale of corporate equity securities and \$4.6 million from the sale of MBS.

As part of its core investing activities, during the first quarter of 2002, the Company acquired \$1.01 billion of MBS, all of which were either Agency or AAA rated adjustable rate or hybrid MBS. Other uses of funds during the quarter included payments of \$7.7 million for dividends declared on the Company's common stock.

In order to reduce interest rate risk exposure on a portion of the Company's LIBOR-based repurchase agreements during the quarter ended March 31, 2002, the Company entered into additional interest rate Cap Agreements, with an aggregate cost of \$1.5 million. A Cap Agreement will generate cash if the market interest rate specified in the Cap Agreement (i.e., LIBOR) increase beyond the rate specified in the Cap Agreement. The timing and amount of such cash flows, if any, cannot be predicted.

The Company's restricted cash balance represents cash held on deposit with certain counterparties (i.e., lenders) to satisfy margin calls on repurchase agreements. The margin calls result from the decline in the value of the MBS securing repurchase agreements, generally due to principal reduction in the MBS from scheduled amortization and prepayments. At the time a repurchase agreement rolls, the Company will apply the restricted cash against the repurchase

agreement, thereby reducing the borrowing.

The Company believes it has adequate financial resources to meet its obligations as they come due and to fund committed dividends as well as to actively pursue its investment policies.

OTHER MATTERS

The Company at all times intends to conduct its business so as to not become regulated as an investment company under the Investment Company Act of 1940, as amended (the "Investment Company Act"). If the Company were to become regulated as an investment company, then, among other things, the Company's ability to use leverage would be substantially reduced. The Investment Company Act exempts entities that are "primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate" (i.e. "Qualifying Interests"). Under the current interpretation of the staff of the SEC, in order to qualify for this exemption, the Company must maintain at least 55% of its assets directly in Qualifying Interests. In addition, unless certain mortgage securities represent an undivided interest in the entire pool backing such mortgage securities (i.e., "whole pool" mortgage securities), such mortgage securities may be treated as securities separate from the underlying mortgage loan, thus, may not be considered Qualifying Interests for purposes of the 55% exemption requirement. Accordingly, the Company monitors its compliance with this requirement in order to maintain its exempt status. As of March 31, 2002, the Company determined that it was in and has maintained compliance with this requirement.

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INFLATION

Virtually all of the Company's assets and liabilities are financial in nature. As a result, interest rates and other factors drive our performance far more than does inflation. Changes in interest rates do not necessarily correlate with inflation rates and changes in inflation rates. Our financial statements are prepared in accordance with Generally Accepted Accounting Principles and our dividends are based upon our net income as calculated for tax purposes; in each case, our activities and balance sheet are measured with reference to historical cost or fair market value without considering inflation.

FORWARD LOOKING STATEMENTS

When used in this Quarterly Report on Form 10-Q, in future SEC filings, or in press releases or other written or oral communications, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project" or similar expressions are intended to identify "forward-looking statements" for purposes of Section 27A if the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended and as such may involve known and unknown risks, uncertainties and assumptions.

These forward-looking statements are subject to various risks and uncertainties, including, but not limited to, those relating to: increases in the prepayment rates on the mortgage loans securing the Company's MBS; changes in short-term interest rates; the Company's ability to use borrowings to finance its assets; risks associated with investing in real estate, including changes in business conditions and the general economy; changes in government regulations affecting the Company's business; and the Company's ability to maintain its qualification as a REIT for federal income tax purposes. These risks, uncertainties and factors could cause the Company's actual results to differ materially from those projected in any forward-looking statements it makes.

All forward-looking statements speak only as the date they are made and the Company does not undertake, and specifically disclaims, any obligation to update any forward-looking statement to reflect events or circumstances after the date of such statements. Readers are cautioned that the Company's actual results could differ materially from those set forth in such forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As of March 31, 2002, the weighted average term to repricing of the Company MBS portfolio was approximately 18 months, with approximately 40% of MBS repricing within the next 12 months; 16% repricing within the next 24 months and 44% repricing within the next 36 months. The repurchase agreements funding these assets, which range in term from one to 18 months at origination, has a weighted average term to maturity of approximately seven months as of March 31, 2002.

The Company entered into Cap Agreements with an aggregate notional amount of \$100 million during the quarter ended March 31, 2002. These agreements are intended to serve as a hedge against future rate increases in interest rates on the Company's LIBOR-based repurchase agreements. The Company had interest rate

AMERICA FIRST MORTGAGE INVESTMENTS, INC.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are no material pending legal proceedings to which the Company is a party or any of its assets are subject.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

2.1 Agreement and Plan of Merger by and among the Registrant, America First Participating/Preferred Equity Mortgage Fund Limited Partnership, America First Prep Fund 2 Limited Partnership, America First Prep Fund 2 Pension Series Limited Partnership and certain other parties, dated as of July 29, 1997 (incorporated herein by reference to Exhibit 2.1 of the Registration Statement on Form S-4 dated February 12, 1998, filed by the Registrant pursuant to the Securities Act of 1933 (Commission File No. 333-46179)).

2.2 Agreement and Plan of Merger by and among the Registrant, America First Mortgage Advisory Corporation ("AFMAC") and the shareholders of AFMAC, dated September 24, 2001 (incorporated herein by reference to Exhibit A of the Preliminary Proxy Statement dated October 9, 2001, filed by the Registrant pursuant to the Securities Exchange Act of 1934. (Commission File No. 1-13991)).

3.1 Amended and Restated Articles of Incorporation of the Company (incorporated herein by reference to Form 8-K dated April 10, 1998, filed by the Registrant pursuant to the Securities Exchange Act of 1934 (Commission File No. 1-13991)).

3.2 Amended and Restated Bylaws of the Registrant.

4.1 Specimen of Common Stock Certificate of the Company (incorporated herein by reference to Exhibit 4.1 of the Registration Statement on Form S-4, dated February 12, 1998, filed by the Registrant pursuant to the Securities Act of 1933 (Commission File No. 333-46179)).

10.1 Employment Agreement of Stewart Zimmerman (incorporated herein by reference to Exhibit 10.2 of the Registration Statement on Form S-4, dated February 12, 1998, filed by the Company pursuant to the Securities Act of 1933 (Commission File No. 333-46179)).

10.2 Employment Agreement of William S. Gorin (incorporated herein by reference to Exhibit 10.3 of the Registration Statement on Form S-4, dated February 12, 1998, filed by the Company pursuant to the Securities Act of 1933 (Commission File No. 333-46179)).

10.3 Employment Agreement of Ronald A. Freyberg (incorporated herein by reference to Exhibit 10.4 of the Registration Statement on Form S-4, dated February 12, 1998, filed by the Company pursuant to the Securities Act of 1933 (Commission File No. 333-46179)).

10.4 Addendum to Employment Agreement of Stewart Zimmerman (incorporated herein by reference to Form 10-Q, dated March 31, 2000, filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (Commission File No. 1-13991)).

10.6 Addendum to Employment Agreement of William S. Gorin (incorporated herein by reference to Form 10-Q, dated March 31, 2000, filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (Commission File No. 1-13991)).

10.7 Addendum to Employment Agreement of Ronald A. Freyberg (incorporated herein by reference to Form 10-Q, dated March 31, 2000, filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (Commission File No. 1-13991)).

10.8 Third Addendum to Employment Agreement of Stewart Zimmerman, dated October 15, 2001 (incorporated herein by reference to the Form 10-K, filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (Commission File No. 1-13991)).

10.9 Third Addendum to Employment Agreement of William S. Gorin, dated October 15, 2001

AMERICA FIRST MORTGAGE INVESTMENTS, INC.

(incorporated herein by reference to the Form 10-K, filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (Commission File No. 1-13991)).

10.10 Third Addendum to Employment Agreement of Ronald A. Freydborg, dated October 15, 2001 (incorporated herein by reference to the Form 10-K, filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (Commission File No. 1-13991)).

10.11 Amended and Restated 1997 Stock Option Plan of the Company (incorporated herein by reference to Form 10-K, dated December 31, 1999, filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (Commission File No. 1-13991)).

10.12 Second Amended and Restated 1997 Stock Option Plan of the Company (incorporated herein by reference to the Form 10-Q, dated August 10, 2001, filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (Commission File No. 1-13991)).

Reports on Form 8-K

The Registrant filed a Current Report on Form 8-K on January 15, 2002 disclosing certain information under Item 5, "Other Events" relating to the Company's January 2002 public offering of common stock.

AMERICA FIRST MORTGAGE INVESTMENTS, INC.

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.

Dated: May 14, 2002 AMERICA FIRST MORTGAGE INVESTMENTS, INC.

By /s/ Stewart Zimmerman
Stewart Zimmerman
President and Chief Executive Officer

By /s/ William S. Gorin
William S. Gorin
Executive Vice President Chief Financial Officer/Treasurer
(Principal Accounting Officer)

AMERICA FIRST MORTGAGE INVESTMENTS, INC.

AMENDED AND RESTATED BYLAWS

ARTICLE I.

STOCKHOLDERS

SECTION 1.1 Annual Meetings. America First Mortgage Investments, Inc. (the "Corporation") shall hold an annual meeting of its stockholders to elect directors and transact any other business within its powers, either at 10:00 a.m. on the first Wednesday of May in each year if not a legal holiday, or at such other time on such other day falling on or before the 30th day thereafter as shall be set by the Board of Directors. Except as the Corporation's Articles of Incorporation, as amended and supplemented (the "Charter"), or statute provides otherwise, any business may be considered at an annual meeting without the purpose of the meeting having been specified in the notice. Failure to hold an annual meeting does not invalidate the Corporation's existence or affect any otherwise valid corporate acts. The Corporation shall hold its first annual meeting of stockholders beginning with the year 1999.

SECTION 1.2 Special Meeting. At any time in the interval between annual meetings, a special meeting of the stockholders may be called by the Chairman of the Board or the President or by a majority of the Board of Directors by vote at a meeting or in writing (addressed to the Secretary of the Corporation) with or without a meeting. Special meetings of the stockholders shall be called by the Secretary at the request of stockholders only on the written request of stockholders entitled to cast at least a majority of all the votes entitled to be cast at the meeting. A request for a special meeting shall state the purpose of the meeting and the matters proposed to be acted on at it. The Secretary shall inform the stockholders who make the request of the reasonably estimated costs of preparing and mailing a notice of the meeting and, on payment of these costs to the Corporation, notify each stockholder entitled to notice of the meeting. Unless requested by stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting, a special meeting need not be called to consider any matter which is substantially the same as a matter voted on at any special meeting of stockholders held in the preceding 12 months.

SECTION 1.3 Place of Meetings. Meetings of stockholders shall be held at such place in the United States as is set from time to time by the Board of Directors.

SECTION 1.4 Notice of Meetings; Waiver of Notice. Not less than ten nor more than 90 days before each stockholders' meeting, the Secretary shall give written notice of the meeting to each stockholder entitled to vote at the meeting and each other stockholder entitled to notice of the meeting. The notice shall state the time and place of the meeting and, if the meeting is a special meeting or notice of the purpose is required by statute, the purpose of the meeting. Notice is given to a stockholder when it is personally delivered to him, left at his residence or usual place of business or mailed to him at his address as it appears on the records of the Corporation. Notwithstanding the foregoing provisions, each person who is entitled to

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notice waives notice if before or after the meeting he signs a waiver of the notice which is filed with the records of stockholders' meetings or is present at the meeting in person or by proxy.

SECTION 1.5 Quorum; Voting. Unless the Charter or statute provides otherwise, at a meeting of stockholders, the presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting constitutes a quorum and a majority of all the votes cast at a meeting at which a quorum is present is sufficient to approve any matter which properly comes before the meeting, except that a plurality of all the votes cast at a meeting at which a quorum is present is sufficient to elect a director.

SECTION 1.6 Adjournments. Whether or not a quorum is present, a meeting of stockholders convened on the date for which it was called may be adjourned from time to time without further notice by a majority vote of the stockholders, present in person or by proxy, to a date not more than 120 days after the original record date. Any business which might have been transacted at the meeting as originally notified may be deferred and transacted at any such adjourned meeting at which a quorum shall be present.

SECTION 1.7 General Right to Vote; Proxies. Unless the Charter provides for a greater or lesser number of votes per share or limits or denies voting rights, each outstanding share of stock, regardless of class, is entitled to one vote on each matter submitted to a vote at a meeting of stockholders. In all elections for directors, each share of stock may be voted for as many

individuals as there are directors to be elected and for whose election the share is entitled to be voted. A stockholder may vote the stock he owns of record either in person or by written proxy signed by the stockholder or by his duly authorized attorney in fact. Unless a proxy provides otherwise, it is not valid more than 11 months after its date. A proxy is revocable by a stockholder at any time without condition or qualification unless the proxy states that it is irrevocable and the proxy is coupled with an interest. A proxy may be made irrevocable for so long as it is coupled with an interest. The interest with which a proxy may be coupled includes an interest in the stock to be voted under the proxy or another general interest in the Corporation or its assets or liabilities.

SECTION 1.8 List of Stockholders. At each meeting of stockholders, a full, true and complete list of all stockholders entitled to vote at such meeting, showing the number and class of shares held by each and certified by the transfer agent for such class or by the Secretary, shall be furnished by the Secretary.

SECTION 1.9 Conduct of Business and Voting. At all meetings of stockholders, unless the voting is conducted by inspectors, the proxies and ballots shall be received, and all questions touching the qualification of voters and the validity of proxies, the acceptance or rejection of votes and procedures for the conduct of business not otherwise specified by these Bylaws, the Charter or law, shall be decided or determined by the chairman of the meeting. If demanded by stockholders, present in person or by proxy, entitled to cast 10% in number of votes entitled to be cast or if ordered by the chairman of the meeting, the vote upon any election or question shall be taken by ballot and, upon like demand or order, the voting shall be conducted by two inspectors, in which event the proxies and ballots shall be received, and all questions touching the qualification of voters and the validity of proxies and the acceptance or rejection of votes shall be decided, by such inspectors. Unless so demanded or ordered, no vote need be by ballot and voting need not be conducted by inspector or inspectors to act at such meeting, and in default of such election the chairman of the meeting may appoint an inspector or

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inspectors. No candidate for election as a director at a meeting shall serve as an inspector thereat.

SECTION 1.10 Informal Action by Stockholders. Any action required or permitted to be taken at a meeting of stockholders may be taken without a meeting if there is filed with the records of stockholders meetings a unanimous written consent which sets forth the action and is signed by each stockholder entitled to vote on the matter and a written waiver of any right to dissent signed by each stockholder entitled to notice of the meeting but not entitled to vote at it.

SECTION 1.11 Stockholder Proposals. For any stockholder proposal to be presented in connection with an annual meeting of stockholders of the Corporation, including any proposal relating to the nomination of a director to be elected to the Board of Directors of the Corporation, the stockholders must have given timely written notice thereof in writing to the Secretary of the Corporation. In order for such notice to be timely, such notice must be received by the Corporation not less than 60 nor more than 90 days prior to the first anniversary of the previous year's annual meeting. For the 1999 annual meeting the previous year's meeting shall be deemed to have taken place on May 7, 1998; provided that this sentence shall cease to be a part of the Bylaws after the holding of the 1999 annual meeting and any adjustments thereof.

ARTICLE II.

BOARD OF DIRECTORS

SECTION 2.1 Function of Directors. The business and affairs of the Corporation shall be managed under the direction of its Board of Directors. All powers of the Corporation may be exercised by or under authority of the Board of Directors, except as conferred on or reserved to the stockholders by statute or by the Charter or Bylaws.

SECTION 2.2 Number of Directors. The Corporation shall have at least three directors; provided that, if there is no stock outstanding, the number of Directors may be less than three but not less than one and, if there is stock outstanding and so long as there are less than three stockholders, the number of Directors may be less than three but not less than the number of stockholders. The Corporation shall have three directors, which shall be the number of directors until changed as herein provided. Except as the Charter provides otherwise, a majority of the entire Board of Directors may alter the number of directors set by the Charter to not exceeding 15 nor less than the minimum number then permitted herein, but the action may not affect the tenure of office of any director.

SECTION 2.3 Election and Tenure of Directors. Subject to the rights of the holders of any class of stock separately entitled to elect one or more

directors, at each annual meeting, the stockholders shall elect directors to hold office until the next annual meeting and until their successors are elected and qualify.

SECTION 2.4 Removal of Director. Any director or the entire Board of Directors may be removed only in accordance with the provisions of the Charter.

SECTION 2.5 Vacancy on Board. Subject to the rights of the holders of any class of stock separately entitled to elect one or more directors, the stockholders may elect a

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successor to fill a vacancy on the Board of Directors which results from the removal of a director. A director elected by the stockholders to fill a vacancy which results from the removal of a director serves for the balance of the term of the removed director. Subject to the rights of the holders of any class of stock separately entitled to elect one or more directors, a majority of the remaining directors, whether or not sufficient to constitute a quorum, may fill a vacancy on the Board of Directors which results from any cause except an increase in the number of directors and a majority of the entire Board of Directors may fill a vacancy which results from an increase in the number of directors. A director elected by the Board of Directors to fill a vacancy serves until the next annual meeting of stockholders and until his successor is elected and qualifies.

SECTION 2.6 Regular Meetings. After each meeting of stockholders at which directors shall have been elected, the Board of Directors shall meet as soon thereafter as practicable for the purpose of organization and the transaction of other business. In the event that no other time and place are specified by resolution of the Board of Directors or announced by the President or the Chairman at such stockholders meeting, the Board of Directors shall meet immediately following the close of, and at the place of, such stockholders meeting. Any other regular meeting of the Board of Directors shall be held on such date and time and at such place as may be designated from time to time by the Board of Directors. No notice of such meeting following a stockholders meeting or any other regular meeting shall be necessary if held as hereinabove provided.

SECTION 2.7 Special Meetings. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board or the President or by a majority of the Board of Directors by vote at a meeting or in writing with or without a meeting. A special meeting of the Board of Directors shall be held on such date and at any place as may be designated from time to time by the Board of Directors. In the absence of designation such meeting shall be held at such place as may be designated in the call.

SECTION 2.8 Notice of Meeting. Except as provided in Section 2.6, the Secretary shall give notice to each director of each regular and special meeting of the Board of Directors. The notice shall state the time and place of the meeting. Notice is given to a director when it is delivered personally to him, left at his residence or usual place of business, or sent by telegraph, facsimile transmission or telephone, at least 24 hours before the time of the meeting or, in the alternative by mail to his address as it shall appear on the records of the Corporation, at least 72 hours before the time of the meeting. Unless the Bylaws or a resolution of the Board of Directors provides otherwise, the notice need not state the business to be transacted at or the purposes of any regular or special meeting of the Board of Directors. No notice of any meeting of the Board of Directors need be given to any director who attends except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened or to any director who, in writing executed and filed with the records of the meeting either before or after the holding thereof, waives such notice. Any meeting of the Board of Directors, regular or special, may adjourn from time to time to reconvene at the same or some other place, and no notice need be given of any such adjourned meeting other than by announcement.

SECTION 2.9 Quorum; Action by Directors. A majority of the entire Board of Directors shall constitute a quorum for the transaction of business. In the absence of a

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quorum, the directors present by majority vote and without notice other than by announcement may adjourn the meeting from time to time until a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified. Unless statute or the Charter or Bylaws requires a greater proportion, the action of a majority of the directors present at a meeting at which a quorum is present is action of the Board of Directors. Any action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting, if a unanimous written consent which sets forth the action is signed by each member of the Board of Directors and filed with the

minutes of proceedings of the Board of Directors.

SECTION 2.10 Meeting by Conference Telephone. Members of the Board of Directors may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means constitutes presence in person at a meeting.

SECTION 2.11 Compensation. By resolution of the Board of Directors a fixed sum and expenses, if any, for attendance at each regular or special meeting of the Board of Directors or of committees thereof, and other compensation for their services as such or on committees of the Board of Directors, may be paid to directors. Directors who are full-time employees of the Corporation need not be paid for attendance at meetings of the board or committees thereof for which fees are paid to other directors. A director who serves the Corporation in any other capacity also may receive compensation for such other services, pursuant to a resolution of the directors.

SECTION 2.12 Advisory Directors. The Board of Directors may by resolution appoint advisory directors to the Board of Directors, who may also serve as directors emeriti, and shall have such authority and receive such compensation and reimbursement as the Board of Directors shall provide. Advisory directors or directors emeriti shall not have the authority to participate by vote in the transaction of business.

ARTICLE III.

COMMITTEES

SECTION 3.1 Committees. The Board of Directors may appoint from among its members an Audit Committee, Compensation Committee, Investment Committee, and other committees composed of one or more directors and delegate to these committees any of the powers of the Board of Directors, except the power to declare dividends or other distributions on stock, elect directors, issue stock other than as provided in the next sentence, recommend to the stockholders any action which requires stockholder approval, amend the Bylaws or approve any merger or share exchange which does not require stockholder approval. The entire Audit Committee and at least fifty percent of the Compensation Committee shall be directors who are independent of management. If the Board of Directors has given general authorization for the issuance of stock providing for or establishing a method or procedure for determining the maximum number of shares to be issued, a committee of the Board of Directors, in accordance with that general authorization or any stock option or other plan or program adopted by the Board of Directors, may authorize or fix the terms of stock subject to classification or

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reclassification and the terms on which any stock may be issued, including all terms and conditions required or permitted to be established or authorized by the Board of Directors.

SECTION 3.2 Committee Procedure. Each committee may fix rules of procedure for its business. A majority of the members of a committee shall constitute a quorum for the transaction of business and the act of a majority of those present at a meeting at which a quorum is present shall be the act of the committee. The members of a committee present at any meeting, whether or not they constitute a quorum, may appoint a director to act in the place of an absent member. Any action required or permitted to be taken at a meeting of a committee may be taken without a meeting, if an unanimous written consent which sets forth the action is signed by each member of the committee and filed with the minutes of the committee. The members of a committee may conduct any meeting thereof by conference telephone in accordance with the provisions of Section 2.10.

SECTION 3.3 Emergency. In the event of a state of disaster of sufficient severity to prevent the conduct and management of the affairs and business of the Corporation by its directors and officers as contemplated by the Charter and the Bylaws, any two or more available members of the then incumbent Executive Committee shall constitute a quorum of that Committee for the full conduct and management of the affairs and business of the Corporation in accordance with the provisions of Section 3.1. In the event of the unavailability, at such time, of a minimum of two members of the then incumbent Executive Committee, the available directors shall elect an Executive Committee consisting of any two members of the Board of Directors, whether or not they be officers of the Corporation, which two members shall constitute the Executive Committee for the full conduct and management of the affairs of the Corporation in accordance with the foregoing provisions of this Section. This Section shall be subject to implementation by resolution of the Board of Directors passed from time to time for that purpose, and any provisions of the Bylaws (other than this Section) and any resolutions which are contrary to the provisions of this Section or to the provisions of any such supplementary resolutions shall be suspended until it shall be determined by any interim Executive Committee acting under this Section that it shall be to the advantage of the Corporation to

resume the conduct and management of its affairs and business under all the other provisions of the Bylaws.

ARTICLE IV.

SECTION 4.1 Executive and Other Officers. The Corporation shall have a President, a Secretary and a Treasurer. It may also have a Chairman of the Board. The Board of Directors shall designate who shall serve as chief executive officer, who shall have general supervision of the business and affairs of the Corporation, and may designate a chief operating officer, who shall have supervision of the operations of the Corporation. In the absence of any designation, the Chairman of the Board, if there be one, shall serve as chief executive officer and the President shall serve as chief operating officer. The same person may hold both offices. The Corporation may also have one or more Vice-Presidents, assistant officers and subordinate officers as may be established by the Board of Directors. A person may hold more than one office in the Corporation except that no person may serve concurrently as both President and Vice-President of the Corporation. The Chairman of the Board shall be a director; the other officers may be directors.

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SECTION 4.2 Chairman of the Board. The Chairman of the Board, if one be elected, shall preside at all meetings of the Board of Directors and of the stockholders at which he or she shall be present. Unless otherwise specified by the Board of Directors, he or she shall be the chief executive officer of the Corporation. In general, he or she shall perform such duties as are customarily performed by the chief executive officer of a corporation and may perform any duties of the President and shall perform such other duties as are from time to time assigned to him or her by the Board of Directors.

SECTION 4.3 President. Unless otherwise provided by resolution of the Board of Directors, the President, in the absence of the Chairman of the Board, shall preside at all meetings of the Board of Directors and of the stockholders at which he or she shall be present. Unless otherwise specified by the Board of Directors, the President shall be the chief operating officer of the Corporation and perform the duties customarily performed by chief operating officers. He or she may sign and execute, in the name of the Corporation, all authorized deeds, mortgages, bonds, contracts or other instruments, except in cases in which the signing and execution thereof shall have been expressly delegated to some other officer or agent of the Corporation. In general, he or she shall perform such other duties customarily performed by a president of a corporation and shall perform such other duties and have such other powers as are from time to time assigned to him by the Board of Directors or the chief executive officer of the Corporation.

SECTION 4.4 Vice-Presidents. The Vice-President or Vice-Presidents, at the request of the chief executive officer or the President, or in the President's absence or during his or her inability to act, shall perform the duties and exercise the functions of the President, and when so acting shall have the powers of the President. If there be more than one Vice-President, the Board of Directors may determine which one or more of the Vice-Presidents shall perform any of such duties or exercise any of such functions, or if such determination is not made by the Board of Directors, the chief executive officer or the President may make such determination; otherwise any of the Vice-Presidents may perform any of such duties or exercise any of such functions. The Vice-President or Vice-Presidents shall have such other powers and perform such other duties, and have such additional descriptive designations in their titles (if any), as are from time to time assigned to them by the Board of Directors, the chief executive officer or the President.

SECTION 4.5 Secretary. The Secretary shall keep the minutes of the meetings of the stockholders and the meetings of the Board of Directors and any committees thereof, in books provided for the purpose; the Secretary shall see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; he or she shall be custodian of the records of the Corporation; he or she may witness any document on behalf of the Corporation, the execution of which is duly authorized, see that the Corporation's seal is affixed where such document is required or desired to be under its seal, and, when so affixed, may attest the same. In general, he or she shall perform such other duties customarily performed by a secretary of a corporation and shall perform such other duties and have such other powers as are from time to time assigned to him or her by the Board of Directors, the chief executive officer or the President.

SECTION 4.6 Treasurer. the Treasurer shall have charge of, and be responsible for, all funds, securities, receipts and disbursements of the Corporation and shall

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deposit, or cause to be deposited, in the name of the Corporation, all moneys or other valuable effects in such banks, trust companies or other depositories as

shall, from time to time, be selected by the Board of Directors; he shall render to the President and to the Board of Directors, whenever requested, an account of the financial condition of the Corporation; and, in general, he shall perform all the duties incident to the office of a treasurer of a corporation, and such other duties as are from time to time assigned to him by the Board of Directors, the chief executive officer or the President.

SECTION 4.7 Assistant and Subordinate Officers. The assistant and subordinate officers of the Corporation are all officers below the office of Vice-President, Secretary or Treasurer. The assistant or subordinate officers shall have such duties as are from time to time assigned to them by the Board of Directors, the chief executive officer or the President.

SECTION 4.8 Election, Tenure and Removal of Officers. The Board of Directors shall elect the officers. The Board of Directors may from time to time authorize any committee or officer to appoint assistant and subordinate officers. Election or appointment of an officer, employee or agent shall not of itself create contract rights. All officers shall be appointed to hold their offices, respectively, during the pleasure of the Board of Directors. The Board of Directors (or, as to any assistant or subordinate officer, any committee or officer does not prejudice any of his or her contract rights. The Board of Directors (or, as to any assistant or subordinate officer, any committee or officer authorized by the Board of Directors) may fill a vacancy which occurs in any office for the unexpired portion of the term.

SECTION 4.9 Compensation. The Board of Directors or the Compensation Committee thereof shall have power to fix the salaries and other compensation and remuneration, of whatever kind, of all officers of the Corporation. No officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the Corporation. The Board of Directors may authorize any committee or officer, upon whom the power of appointing assistant and subordinate officers may have been conferred, to fix the salaries, compensation and remuneration of such assistant and subordinate officers.

ARTICLE V.

DIVISIONAL TITLES

SECTION 5.1 Conferring Divisional Titles. The Board of Directors may from time to time confer upon any employee of a division of the Corporation the title of President, Vice-President, Treasurer or Controller of such division or any other title or titles deemed appropriate, or may authorize the Chairman of the Board or the President to do so. Any such titles so conferred may be discontinued and withdrawn at any time by the Board of Directors or by the Chairman of the Board or the President if so authorized by the Board of Directors. Any employee of a division designated by such a division title shall have the powers and duties with respect to such division as shall be prescribed by the Board of Directors, the Chairman of the Board or the President.

SECTION 5.2 Effect of Divisional Titles. The conferring of divisional titles shall not create an office of the Corporation under Article IV unless specifically designated

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as such by the Board of Directors; but any person who is an officer of the Corporation may also have a divisional title.

ARTICLE VI.

STOCK

SECTION 6.1 Certificates for Stock. The Board of Directors may determine to issue certificated or uncertificated shares of capital stock and other securities of the Corporation. For certificated stock, each stockholder is entitled to certificates which represent and certify the shares of stock he or she holds in the Corporation. Each stock certificate shall include on its face the name of the Corporation, the name of the stockholder or other person to whom it is issued, and the class of stock and number of shares it represents. It shall also include on its face or back (a) a statement of any restrictions on transferability and (b) a statement which provides in substance that the Corporation will furnish to any stockholder on request and without charge a full statement of the designations and any preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption of the stock of each class which the Corporation is authorized to issue, of the differences in the relative rights and preferences between the shares of each series of a preferred or special class in series which the Corporation is authorized to issue, to the extent they have been set, and of the authority of the Board of Directors to set the relative rights and preferences of subsequent series of a preferred or special class of stock and any restrictions on transferability. Such request may be made to the Secretary or to its transfer agent. Upon the issuance of uncertificated shares of capital stock, the Corporation shall send the stockholder a written statement of the same information required above on the certificate and by the

Maryland Uniform Commercial Code - Investment Securities. It shall be in such form, not inconsistent with law or with the Charter, as shall be approved by the Board of Directors or any officer or officers designated for such purpose by resolution of the Board of Directors. Each stock certificate shall be signed by the Chairman of the Board, the President, or a Vice-President, and countersigned by the Secretary, an Assistant Secretary, the Treasurer, or an Assistant Treasurer. Each certificate may be sealed with the actual corporate seal or a facsimile of it or in any other form and the signatures may be either manual or facsimile signatures. A certificate is valid and may be issued whether or not an officer who signed it is still an officer when it is issued. A certificate may not be issued until the stock represented by it is fully paid.

SECTION 6.2 Transfers. The Board of Directors shall have power and authority to make such rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificates of stock; and may appoint transfer agents and registrars thereof. The duties of transfer agent and registrar may be combined.

SECTION 6.3 Record Dates and Closing of Transfer Books. The Board of Directors may set a record date or direct that the stock transfer books be closed for a stated period for the purpose of making any proper determination with respect to stockholders, including which stockholders are entitled to notice of a meeting, vote at a meeting, receive a dividend or be allotted other rights. The record date may not be prior to the close of business on the day the record date is fixed nor, subject to Section 1.6, more than 90 days before the date on which the action requiring the determination will be taken; the transfer books may not be closed

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for a period longer than 20 days; and, in the case of a meeting of stockholders, the record date or the closing of the transfer books shall be at least ten days before the date of the meeting.

SECTION 6.4 Stock Ledger. The Corporation shall maintain a stock ledger which contains the name and address of each stockholder and the number of shares of stock of each class which the stockholder holds. The stock ledger may be in written form or in any other form which can be converted within a reasonable time into written form for visual inspection. The original or a duplicate of the stock ledger shall be kept at the offices of a transfer agent for the particular class of stock, or, if none, at the principal office in the State of Maryland or the principal executive offices of the Corporation.

SECTION 6.5 Certification of Beneficial Owners. The Board of Directors may adopt by resolution a procedure by which a stockholder of the Corporation may certify in writing to the Corporation that any shares of stock registered in the name of the stockholder are held for the account of a specified person other than the stockholder. The resolution shall set forth the class of stockholders who may certify; the purpose for which the certification may be made; the form of certification and the information to be contained in it; if the certification is with respect to a record date or closing of the stock transfer books, the time after the record date or closing of the stock transfer books within which the certification must be received by the Corporation; and any other provisions with respect to the procedure which the Board of Directors considers necessary or desirable. On receipt of a certification which complies with the procedure adopted by the Board of Directors in accordance with this Section, the person specified in the certification is, for the purpose set forth in the certification, the holder of record of the specified stock in place of the stockholder who makes the certification.

SECTION 6.6 Lost Stock Certifications. The Board of Directors of the Corporation may determine the conditions for issuing a new stock certificate in place of one which is alleged to have been lost, stolen or destroyed, or the Board of Directors may delegate such power to any officer or officers of the Corporation. In their discretion, the Board of Directors or such officer or officers may require the owner of the certificate to give bond, with sufficient surety, to indemnify the Corporation against any loss or claim arising as a result of the issuance of a new certificate. In their discretion, the Board of Directors or such officer or officers may refuse to issue such new certificate save upon the order of some court having jurisdiction in the premises.

SECTION 6.7 Exemption from Control Share Acquisition Statute. The provisions of Sections 3-701 to 3-709 of the Corporations and Associations Article of the Annotated Code of Maryland shall not apply to any share of the capital stock of the Corporation now or hereafter beneficially held (during the period of such beneficial ownership) by American First Companies, L.L.C., any of its present or future affiliates and associates or any person acting in concert or as part of a group with any of the foregoing persons. Such shares of capital stock are exempted from such Sections to the fullest extent permitted by Maryland law.

ARTICLE VII.

FINANCE

SECTION 7.1 Checks, Drafts, Etc. All checks, drafts and orders for the payment of money, notes and other evidences of indebtedness, issued in the name of the Corporation, shall, unless otherwise provided by resolution of the Board of Directors, be signed by the President, a Vice-President or an Assistant Vice-President and countersigned by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary.

SECTION 7.2 Annual Statement of Affairs. The President or chief accounting officer shall prepare annually a full and correct statement of the affairs of the Corporation, to include a balance sheet and a financial statement of operations for the preceding fiscal year. The statement of affairs shall be submitted at the annual meeting of the stockholders and, within 20 days after the meeting, place on file at the Corporation's principal office.

SECTION 7.3 Fiscal Year. The fiscal year of the Corporation shall be the twelve calendar months period ending December 31 in each year, unless otherwise provided by the Board of Directors.

SECTION 7.4 Dividends. If declared by the Board of Directors at any meeting thereof, the Corporation may pay dividends on its shares in cash, property or in shares of the capital stock of the Corporation, unless such dividend is contrary to law or to a restriction contained in the Charter.

SECTION 7.5 Contracts. To the extent permitted by the applicable law, and except as otherwise prescribed by the Charter or these Bylaws with respect to certificates for shares, the Board of Directors may authorize any officer, employee or agent of the Corporation to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation. Such authority may be general or confined to specific instances.

ARTICLE VIII.

SUNDRY PROVISIONS

SECTION 8.1 Books and Records. The Corporation shall keep correct and complete books and records of its accounts and transactions and minutes of the proceedings of its stockholders and Board of Directors and of any executive or other committee when exercising any of the powers of the Board of Directors. The books and records of a Corporation may be in written form or in any other form which can be converted within a reasonable time into written form for visual inspection. Minutes shall be recorded in written form but may be maintained in the form of a reproduction. The original or a certified copy of the Bylaws shall be kept at the principal office of the Corporation.

SECTION 8.2 Corporate Seal. The Board of Directors shall provide a suitable seal, bearing the name of the Corporation, which shall be in the charge of the Secretary. The Board of Directors may authorize one or more duplicate seals and provide for the custody thereof. If the Corporation is required to place its corporation seal to a document, it is sufficient to meet the requirement of any law, rule or regulation relating to a corporate seal to place the

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word "Seal" adjacent to the signature of the person authorized to sign the document on behalf of the Corporation.

SECTION 8.3 Bonds. The Board of Directors may require any officer, agent or employee of the Corporation to give a bond to the Corporation, conditioned upon the faithful discharge of his duties, with one or more sureties and in such amount as may be satisfactory to the Board of Directors.

SECTION 8.4 Voting Upon Shares in Other Corporations. Stock of other corporations or associations, registered in the name of the Corporation, may be voted by the President, a Vice-President or a proxy appointed by either of them. The Board of Directors, however, may by resolution appoint some other person to vote such shares, in which case such person shall be entitled to vote such shares upon the production of a certified copy of such resolution.

SECTION 8.5 Mail. Any notice or other document which is required by these Bylaws to be mailed shall be deposited in the United States mails, postage prepaid.

SECTION 8.6 Execution of Documents. A person who holds more than one office in the Corporation may not act in more than one capacity to execute, acknowledge or verify an instrument required by law to be executed, acknowledged or verified by more than one officer.

SECTION 8.7 Amendments. Subject to the special provisions of Section

2.02, in accordance with the Charter, these Bylaws may be repealed, altered, amended or rescinded (a) by the stockholders of the Corporation only by vote of not less than 80% of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (considered for this purpose as one class) cast at any meeting of the stockholders called for that purpose (provided that notice of such proposed repeal, alteration, amendment or rescission is included in the notice of such meeting) or (b) by vote of a majority of the Board of Directors at a meeting held in accordance with the provisions of these Bylaws.

ARTICLE IX.

INDEMNIFICATION

SECTION 9.1 Procedure. Any indemnification, or payment of expenses in advance of the final disposition of any proceeding, shall be made promptly, and in any event within 60 days, upon the written request of the director or officer entitled to seek indemnification (the "Indemnified Party"). The right to indemnification and advances hereunder shall be enforceable by the Indemnified Party in any court of competent jurisdiction, if (i) the Corporation denies such request, in whole or in part or (ii) no disposition thereof is made within 60 days. The Indemnified Party's costs and expenses incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such action shall also be reimbursed by the Corporation. It shall be a defense to any action for advance of expenses that (a) a determination has been made that the facts then known to those making the determination would preclude indemnification or (b) the Corporation has not received either (i) an undertaking as required by law to repay such advances in the event it shall ultimately be determined that the standard of conduct has not been met or (ii) a written affirmation by the Indemnified Party of

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such Indemnified Party's good faith belief that the standard of conduct necessary for indemnification by the Corporation has been met.

SECTION 9.2 Exclusivity, Etc. The indemnification and advance of expenses provided by the Charter and these Bylaws shall not be deemed exclusive of any other rights to which a person seeking indemnification or advance of expenses may be entitled under any law (common or statutory) or any agreement, vote of stockholders or disinterested directors or other provision that is consistent with law, both as to action in his official capacity and as to action in another capacity while holding office or while employed by or acting as agent for the Corporation, shall continue in respect of all events occurring while a person was a director or officer after such person has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of such person. The Corporation shall not be liable for any payment under this Bylaw in connection with a claim made by a director or officer to the extent such director or officer has otherwise actually received payment under insurance policy, agreement, vote or otherwise, of the amounts otherwise indemnifiable hereunder. All rights to indemnification and advance of expenses under the Charter of the Corporation and hereunder shall be deemed to be a contract between the Corporation and each director or officer of the Corporation who serves or served in such capacity at any time while this Bylaw is in effect. Nothing herein shall prevent the amendment of this Bylaw, provided that no such amendment shall diminish the rights of any person hereunder with respect to events occurring or claims made before its adoption or as to claims made after its adoption in respect of events occurring before its adoption. Any repeal or modification of this Bylaw shall not in any way diminish any rights to indemnification or advance of expenses of such director or officer or the obligations of the Corporation arising hereunder with respect to events occurring, or claims made, while this Bylaw or any provisions hereof is in force.

SECTION 9.3 Severability; Definitions. The invalidity or unenforceability of any provision of this Article IX shall not affect the validity or enforceability of any other provisions hereof. The phrase "this Bylaw" in this Article IX means this Article IX in its entirety.

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