LOEWS CORP
Form 8-K
July 28, 2005

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of report:	July 28, 2005
(Date of earliest event reported):	July 28, 2005

LOEWS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**1-6541**	**13-2646102**
(State or other jurisdiction of incorporation or organization)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

667 Madison Avenue, New York, N.Y.	**10021-8087**
(Address of principal executive offices)	**(Zip Code)**

Registrant’s telephone number, including area code: **(212) 521-2000**

NOT APPLICABLE
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CRF 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to rule 13e-4 (c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 2.02 Results of Operations and Financial Condition.

On July 28, 2005, Registrant issued a press release for Loews Corporation and a separate press release for the Carolina Group providing information on their results of operations for the second quarter of 2005. The press releases are furnished as Exhibits 99.1 and 99.2 to this Form 8-K.

Item 9.01 Financial Statements and Exhibits

(a) Not applicable.
(b) Not applicable.
(c) Exhibits:

Exhibit Reference Number	Exhibit Description
99.1	Loews Corporation press release, issued July 28, 2005, providing information on second quarter results of operations for 2005.
99.2	Carolina Group press release, issued by Loews Corporation July 28, 2005, providing information on second quarter results of operations for 2005.

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 hereunto duly authorized.

LOEWS CORPORATION
(Registrant)

Dated: July 28, 2005

By: /s/ Gary W. Garson
Gary W. Garson
Senior Vice President
General Counsel
and Secretary

align="bottom" width="1%" style="border-bottom: black thin solid;">

797

238.8

39.6

%

7.27

%

299,678

72.9

704

Total fixed-rate

1,791

364.0

60.4

%

7.45

%

203,220

76.4

709

Total Originations

2,588

$

602.8

100.0

%

7.38

%

$

232,925

75.0

707

Purchase mortgages

1,594

$

352.6

58.5

%

7.47

%

$

221,215

79.0

718

Refinancings

909

236.1

39.1

%

7.28

%

259,670

67.8

693

Subtotal-non-FHA

2,503

588.7

97.6

%

7.39

%

235,180

74.5

708

FHA - purchase

70

11.9

2.0

%

6.50

%

170,453

96.5

664

FHA - refinancings

15

2.2

0.4

%

6.84

%

148,087

91.4

604

Subtotal - FHA

85

14.1

2.4

%

6.56

%

166,506

95.7

654

Total purchase

1,664

364.5

60.5

%

7.44

%

219,079

79.5

716

Total refinancings

924

238.3

39.5

%

7.27

%

257,858

68.0

692

Total Originations

2,588

$

602.8

100.0

%

7.38

%

$

232,925

75.0

707

Second Quarter

ARM

1,021

$

352.4

47.5

%

6.83

%

$

345,116

72.2

711

Fixed-rate

1,687

358.8

48.4

%

7.21

%

212,710

75.1

713

Subtotal-non-FHA

2,708

711.2

95.9

%

7.02

%

262,631

73.7

712

FHA - ARM

7

1.7

0.2

%

5.60

%

242,250

95.8

608

FHA - fixed-rate

170

28.9

3.9

%

6.32

%

169,950

93.3

662

Subtotal - FHA

177

30.6

4.1

%

6.28

%

172,809

93.4

659

Total ARM

1,028

354.1

47.7

%

6.82
%

344,415

72.3

711
Total fixed-rate

1,857

387.7

52.3
%

7.14
%

208,795

76.5

709
Total Originations

2,885

$
741.8

100.0
%

6.99
%
$
257,120

74.5

710

61

Purchase mortgages	1,792	$	434.7	58.6%	7.10%	$ 242,591	78.7	720
Refinancings	916		276.5	37.3%	6.89%	301,836	65.8	698
Subtotal-non-FHA	**2,708**		**711.2**	**95.9%**	**7.02%**	**262,631**	**73.7**	**712**
FHA - purchase	108		19.2	2.6%	6.23%	178,164	96.6	669
FHA - refinancings	69		11.4	1.5%	6.38%	164,429	88.0	642
Subtotal - FHA	177		30.6	4.1%	6.28%	172,809	93.4	659
Total purchase	1,900		453.9	61.2%	7.07%	238,929	79.4	718
Total refinancings	985		287.9	38.8%	6.87%	292,210	66.7	696
Total Originations	**2,885**	**$**	**741.8**	**100.0%**	**6.99%**	**$ 257,120**	**74.5**	**710**
First Quarter								
ARM	924	$	290.6	47.4%	6.71%	$ 314,555	71.6	705
Fixed-rate	1,442		299.2	48.8%	7.06%	207,519	73.3	712
Subtotal-non-FHA	**2,366**		**589.8**	**96.2%**	**6.89%**	**249,320**	**72.5**	**709**
FHA - ARM	2		0.5	0.0%	5.57%	228,253	93.0	646
FHA - fixed-rate	142		23.5	3.8%	6.13%	165,161	92.7	650
Subtotal - FHA	144		24.0	3.8%	6.12%	166,037	92.7	650
Total ARM	926		291.1	47.4%	6.71%	314,369	71.7	705
Total fixed-rate	1,584		322.7	52.6%	6.99%	203,722	74.7	708
Total Originations	**2,510**	**$**	**613.8**	**100.0%**	**6.86%**	**$ 244,542**	**73.2**	**706**
Purchase mortgages	1,430	$	335.5	54.8%	6.94%	$ 234,600	77.2	722
Refinancings	936		254.3	41.4%	6.81%	271,809	66.2	692
Subtotal-non-FHA	**2,366**		**589.8**	**96.2%**	**6.89%**	**249,320**	**72.5**	**709**
FHA - purchase	70		12.7	2.0%	6.07%	181,325	96.4	655
FHA - refinancings	74		11.3	1.8%	6.17%	151,576	88.6	645
Subtotal - FHA	144		24.0	3.8%	6.12%	166,037	92.7	650
Total purchase	1,500		348.2	56.8%	6.91%	232,144	77.9	719
Total refinancings	1,010		265.6	43.2%	6.78%	263,000	67.1	690
Total Originations	**2,510**	**$**	**613.8**	**100.0%**	**6.86%**	**$ 244,542**	**73.2**	**706**

	Number of Loans		Aggregate Principal Balance ($ in millions)	Percentage of Total Principal	Weighted Average Interest Rate		Average Principal Balance	Weighted Average LTV	FICO
2005:									
Fourth Quarter									
ARM	1,321	$	452.5	55.0%	6.33%	$	342,551	71.9	700
Fixed-rate	1,617		343.7	41.8%	6.79%		212,524	72.2	712
Subtotal-non-FHA	**2,938**		**796.2**	**96.8%**	**6.53%**		**270,987**	**72.1**	**705**
FHA - ARM	1		0.2	0.0%	5.80%		157,545	84.6	655
FHA - fixed-rate	194		26.5	3.2%	6.06%		136,820	93.5	639
Subtotal - FHA	195		26.7	3.2%	6.06%		136,927	93.4	639
Total ARM	1,322		452.7	55.0%	6.33%		342,411	72.0	700
Total fixed-rate	1,811		370.2	45.0%	6.74%		204,414	73.7	707
Total Originations	**3,133**	**$**	**822.9**	**100.0%**	**6.52%**	**$**	**262,643**	**72.7**	**703**
Purchase mortgages	1,949	$	426.8	51.9%	6.73%	$	218,995	78.5	716
Refinancings	989		369.4	44.9%	6.29%		373,447	64.5	692
Subtotal-non-FHA	**2,938**		**796.2**	**96.8%**	**6.53%**		**270,987**	**72.1**	**705**
FHA - purchase	38		6.1	0.7%	6.40%		161,278	97.4	649
FHA - refinancings	157		20.6	2.5%	5.95%		131,033	92.1	636
Subtotal - FHA	195		26.7	3.2%	6.06%		136,927	93.4	639
Total purchase	1,987		432.9	52.6%	6.72%		217,891	78.8	715
Total refinancings	1,146		390.0	47.4%	6.28%		340,237	66.0	689
Total Originations	**3,133**	**$**	**822.9**	**100.0%**	**6.52%**	**$**	**262,643**	**72.7**	**703**
Third Quarter									
ARM	1,727	$	513.3	51.2%	6.10%	$	297,213	73.8	705
Fixed-rate	1,946		392.2	39.1%	6.43%		201,537	73.2	717
Subtotal-non-FHA	**3,673**		**905.5**	**90.3%**	**6.25%**		**246,522**	**73.5**	**710**
FHA - ARM	4		0.8	0.1%	5.80%		217,202	94.7	642
FHA - fixed-rate	700		95.9	9.6%	5.72%		136,954	92.9	633
Subtotal - FHA	704		96.7	9.7%	5.72%		137,410	93.0	633
Total ARM	1,731		514.1	51.3%	6.10%		297,028	73.8	705
Total fixed-rate	2,646		488.1	48.7%	6.29%		184,451	77.1	700
Total Originations	**4,377**	**$**	**1,002.2**	**100.0%**	**6.19%**	**$**	**228,973**	**75.4**	**703**
Purchase mortgages	2,568	$	558.1	55.7%	6.39%	$	217,314	78.1	719
Refinancings	1,105		347.4	34.6%	6.01%		314,402	66.2	696
Subtotal-non-FHA	**3,673**		**905.5**	**90.3%**	**6.25%**		**246,522**	**73.5**	**710**
FHA - purchase	71		11.7	1.2%	6.05%		165,045	96.3	659
FHA - refinancings	633		85.0	8.5%	5.67%		134,310	92.5	630
Subtotal - FHA	704		96.7	9.7%	5.72%		137,410	93.0	633
Total purchase	2,639		569.8	56.9%	6.38%		215,908	78.5	718
Total refinancings	1,738		432.4	43.1%	5.94%		248,811	71.4	683
Total Originations	**4,377**	**$**	**1,002.2**	**100.0%**	**6.19%**	**$**	**228,973**	**75.4**	**703**

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	Number of Loans		Aggregate Principal Balance ($ in millions)	Percentage of Total Principal	Weighted Average Interest Rate	Average Principal Balance	Weighted Average LTV	Weighted Average FICO
Second Quarter								
ARM	1,839	$	537.9	57.2%	5.90%	$ 292,482	72.7	709
Fixed-rate	1,777		337.1	35.9%	6.47%	189,732	72.7	718
Subtotal-non-FHA	**3,616**		**875.0**	**93.1%**	**6.12%**	**241,988**	**72.7**	**712**
FHA - ARM	30		4.8	0.5%	5.34%	159,088	93.7	611
FHA - fixed-rate	449		59.9	6.4%	5.97%	133,408	92.6	624
Subtotal - FHA	479		64.7	6.9%	5.92%	135,016	92.7	623
Total ARM	1,869		542.7	57.7%	5.89%	290,341	72.8	708
Total fixed-rate	2,226		397.0	42.3%	6.39%	178,371	75.7	704
Total Originations	**4,095**	**$**	**939.7**	**100.0%**	**6.10%**	**$ 229,475**	**74.0**	**706**
Purchase mortgages	2,652	$	587.8	62.6%	6.21%	$ 221,657	76.4	720
Refinancings	964		287.2	30.5%	5.94%	297,918	65.1	695
Subtotal-non-FHA	**3,616**		**875.0**	**93.1%**	**6.12%**	**241,988**	**72.7**	**712**
FHA - purchase	85		13.9	1.5%	5.99%	163,693	96.3	644
FHA - refinancings	394		50.8	5.4%	5.91%	128,829	91.7	617
Subtotal - FHA	479		64.7	6.9%	5.92%	135,016	92.7	623
Total purchase	2,737		601.7	64.1%	6.20%	219,857	76.8	719
Total refinancings	1,358		338.0	35.9%	5.93%	248,860	69.1	684
Total Originations	**4,095**	**$**	**939.7**	**100.0%**	**6.10%**	**$ 228,973**	**74.0**	**706**
First Quarter								
ARM	1,313	$	355.3	52.8%	5.61%	$ 270,603	72.7	708
Fixed-rate	1,274		247.8	36.9%	6.31%	194,541	71.4	719
Subtotal-non-FHA	**2,587**		**603.1**	**89.7%**	**5.90%**	**233,145**	**72.2**	**712**
FHA - ARM	59		9.5	1.4%	5.10%	160,093	93.8	648
FHA - fixed-rate	462		59.9	8.9%	5.85%	129,756	92.2	635
Subtotal - FHA	521		69.4	10.3%	5.75%	133,191	92.4	637
Total ARM	1,372		364.8	54.2%	5.60%	265,851	73.2	706
Total fixed-rate	1,736		307.7	45.8%	6.22%	177,299	75.5	703
Total Originations	**3,108**	**$**	**672.5**	**100.0%**	**5.88%**	**$ 216,390**	**74.3**	**705**
Purchase mortgages	1,717	$	365.9	54.4%	6.03%	$ 213,081	76.2	723
Refinancings	870		237.2	35.3%	5.69%	272,743	66.0	696
Subtotal-non-FHA	**2,587**		**603.1**	**89.7%**	**5.90%**	**233,145**	**72.2**	**712**
FHA - purchase	95		15.1	2.2%	5.66%	158,699	97.2	672
FHA - refinancings	426		54.3	8.1%	5.78%	127,503	91.0	627
Subtotal - FHA	521		69.4	10.3%	5.75%	133,191	92.4	637
Total purchase	1,812		381.0	56.6%	6.02%	210,230	77.0	721
Total refinancings	1,296		291.5	43.4%	5.71%	225,002	70.7	683
Total Originations	**3,108**	**$**	**672.5**	**100.0%**	**5.88%**	**$ 216,390**	**74.3**	**705**

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

Results of Operations - Comparison of the Nine and Three Months Ended September 30, 2006, and September 30, 2005

Net Income **- Overview**

Comparative Net Income

	For the Nine Months Ended September 30,		
	2006	**2005**	**% Change**
	(dollar amounts in thousands except per share data)		
Net (loss) income	$ (5,486)	$ 3,368	(262.9)%
Earnings (loss) per share (basic)	$ (0.31)	$ 0.19	(263.2)%
Earnings (loss) per share (diluted)	$ (0.31)	$ 0.19	(263.2)%

	For the Three Months Ended September 30,		
	2006	**2005**	**% Change**
	(dollar amounts in thousands except per share data)		
Net (loss) income	$ (3,868)	$ 2,859	(235.3)%
Earnings per share (basic)	$ (0.21)	$ 0.16	(231.3)%
Earnings per share (diluted)	$ (0.21)	$ 0.16	(231.3)%

For the nine and three months ended September 30, 2006, we reported a net loss of $5.5 million and $3.9 million respectively, as compared to net income of $3.4 million and $2.9 million for the respective periods of 2005. Our revenues are driven largely from interest income on investments in mortgage loans and mortgage securities (our “mortgage portfolio management” segment) and gain on sale income from loan originations sold to third parties (our “mortgage lending” segment) during the period. The change in net income was attributed to a decrease in gain on sale income and net interest income from our investment portfolio. Additionally, the recognition in our mortgage lending segment of $4.1 million in loan losses, which were primarily due to early payment defaults incurred in the Company’s sub-prime lending business which has been substantially discontinued, and partially offset by net income of $1.2 million in our mortgage portfolio management segment.

Comparative Net Interest Income

	For the Nine Months Ended September 30,	
	2006	**2005**

			% Change
	(dollar amounts in thousands)		
Interest income	$ 62,205	$ 56,484	10.1%
Interest expense	54,260	42,380	28.0%
Net interest income	$ 7,945	$ 14,104	(43.7)%

	For the Three Months Ended September 30,		
	2006	**2005**	**% Change**
	(dollar amounts in thousands)		
Interest income	$ 20,878	$ 19,698	6.0%
Interest expense	20,096	16,159	24.4%
Net interest income	$ 782	$ 3,539	(77.9)%

Net interest income contributed $7.9 million, and $0.8 million to total revenues for the nine and three months ended September 30, 2006 and 2005, respectively, as compared to net interest income of $14.1 million and $3.5 million for the respective periods of 2005. Net interest income for the nine and three months ended September 30, 2006 as compared to the same periods of 2005, was lower as a result of narrowed interest spreads that resulted from short-term interest rates on our financing facilities rising more quickly than the long-term interest rates on our interest earning assets.

Non-interest related expenses were lower for the nine and three months ended September 30, 2006, relative to the same periods of 2005, primarily as a result of a reduction production volume and to a lesser degree amortized compensation expense related to retention bonuses and performance stock grants issued in connection with our hiring and retention of former GRL branch employees in November 2004 and a reduction in support and back-office personnel. For the nine and three months ended September 30, 2006, such expenses were $39.9 million and $11.7 million, respectively, as compared to $47.8 million and $14.7 million for the respective periods of 2005.

Comparative Other Non-Interest Related Expense

	For the Nine Months Ended September 30,		
	2006	**2005**	**% Change**
	(dollar amounts in thousands)		
Other non-interest related expenses	$ 39,916	$ 47,833	(16.6)%

	For the Three Months Ended September 30,		
	2006	**2005**	**% Change**
	(dollar amounts in thousands)		
Other non-interest related expenses	$ 11,684	$ 14,689	(20.5)%

Net Interest Income. The following tables summarize the changes in net interest income for the nine and three months ended September 30, 2006 and 2005:

Yields Earned on Mortgage Loans and Securities and Rates on Financial Arrangements
(dollar amounts in thousands unless otherwise noted)

	The Nine Months Ended September 30, 2006			The Nine Months Ended September 30, 2005		
	Average Balance ($ in millions)	**Amount**	**Yield/ Rate**	**Average Balance** ($ in millions)	**Amount**	**Yield/ Rate**
Interest Income:						
Investment securities and loans held in the securitization trusts	$ 1,321.9	$ 51,682	5.21%	$ 1,354.9	$ 45,403	4.47%
Loans held for investment	—	—	—	142.0	5,388	5.06%
Loans held for sale	220.5	12,155	7.35%	308.4	10,573	4.57%
Amortization of net premium	6.1	(1,632)	(0.16)%	15.2	(4,880)	(0.42)%
Interest income	$ 1,548.5	$ 62,205	5.38%	$ 1,820.5	$ 56,484	4.15%
Interest Expense:						

Investment securities and loans held in the securitization trusts	$	1,248.7	$	42,320	4.47%	$	1,292.9	$	30,090	3.07%
Loans held for investment		—		—	—		138.6		3,911	3.72%
Loans held for sale		215.2		9,284	5.69%		302.0		7,284	3.18%
Subordinated debentures		45.0		2,656	7.78%		20.5		1,095	7.06%
Interest expense	$	1,508.9	$	54,260	4.74%	$	1,754.0	$	42,380	3.19%
Net interest income	$	39.6	$	7,945	0.64%	$	66.5	$	14,104	0.96%

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	The Three Months Ended September 30, 2006			The Three Months Ended September 30, 2005		
	Average Balance ($ in millions)	Amount	Yield/ Rate	Average Balance ($ in millions)	Amount	Yield/ Rate
Interest Income:						
Investment securities and loans held in the securitization trusts	$ 1,281.3	$ 17,632	5.50%	$ 1,348.4	$ 15,560	4.62%
Loans held for investment	—	—	—	131.0	1,783	5.45%
Loans held for sale	224.0	3,880	6.93%	316.0	4,473	5.66%
Amortization of net premium	6.4	(634)	(0.22)%	14.7	(2,118)	(0.45)%
Interest income	$ 1,511.6	$ 20,878	5.53%	$ 1,810.1	$ 19,698	4.35%
Interest Expense:						
Investment securities and loans held in the securitization trusts	$ 1,214.4	$ 15,882	5.12%	$ 1,296.1	$ 10,751	3.25%
Loans held for investment	—	—	—	126.0	1,366	4.24%
Loans held for sale	218.0	3,337	5.99%	310.0	3,441	4.34%
Subordinated debentures	45.0	877	7.80%	31.7	601	7.43%
Interest expense	$ 1,477.4	$ 20,096	5.33%	$ 1,763.8	$ 16,159	3.58%
Net interest income	$ 34.2	$ 782	0.20%	$ 46.3	$ 3,539	0.77%

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

As of the Quarter Ended	Average Interest Earning Assets ($ in millions)	Historical Weighted Average Coupon	Yield on Interest Earning Assets	Cost of Funds Net of Hedging	Net Interest Spread
September 30, 2006	$ 1,287.6	5.50%	5.28%	5.12%	0.16%
June 30, 2006	1,217.9	5.29%	5.08%	4.30%	0.78%
March 31, 2006	1,478.6	4.85%	4.75%	4.04%	0.71%
December 31, 2005	1,499.0	4.84%	4.43%	3.81%	0.62%
September 30, 2005	1,494.0	4.69%	4.08%	3.38%	0.70%
June 30, 2005	1,590.0	4.50%	4.06%	3.06%	1.00%
March 31, 2005	1,447.9	4.39%	4.01%	2.86%	1.15%
December 31, 2004	1,325.7	4.29%	3.84%	2.58%	1.26%
September 30, 2004	$ 776.5	4.04%	3.86%	2.45%	1.41%

Gain on Sales of Mortgage Loans. The following tables summarize the gain on sales of mortgage loans for each of the nine and three month periods ended September 30, 2006 and 2005:

Gain on Sales of Mortgage Loans

	For the Nine Months Ended September 30, 2006	For the Nine Months Ended September 30, 2005	% Change
	(dollar amounts in thousands)		
Originations			
Total bankered loan volume	$ 1,402,457	$ 2,179,946	(35.7)%
Total bankered loan volume - units	6,128	9,908	(38.2)%
Bankered originations retained for securitization	$ 69,739	$ 456,028	(84.7)%
Bankered originations retained for securitization - units	134	1,067	(87.4)%
Net bankered loan volume	$ 1,332,718	$ 1,723,918	(22.7)%
Net bankered loan volume - units	5,994	8,841	(32.2)%
Shipped			
Total bankered loan volume	$ 1,411,837	$ 2,148,778	(34.3)%
Total bankered loan volume - units	6,082	9,820	(38.1)%
Bankered originations retained for securitization	$ 69,739	$ 456,028	(84.7)%
Bankered originations retained for securitization - units	134	1,067	(87.4)%
Net bankered loan volume	$ 1,342,098	$ 1,692,750	(20.7)%
Net bankered loan volume - units	5,948	8,753	(32.0)%
Gain on sales of mortgage loans	$ 14,399	$ 21,634	(33.4)%
Average gain on sale premium	1.36%	2.07%	(34.3)%

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Gain on Sales of Mortgage Loans

	For the Three Months Ended September 30, 2006	2005	% Change
	(dollar amounts in thousands)		
Originations			
Total bankered loan volume	$ 462,300	$ 843,382	(45.2)%
Total bankered loan volume - units	2,067	3,797	(45.6)%
Bankered originations retained for securitization	$ —	$ 152,739	(100.0)%
Bankered originations retained for securitization - units	—	341	(100.0)%
Net bankered loan volume	$ 462,300	$ 690,643	(33.1)%
Net bankered loan volume - units	2,067	3,456	(40.2)%
Shipped			
Total bankered loan volume	$ 447,437	$ 816,017	(45.2)%
Total bankered loan volume - units	1,983	3,682	(46.1)%
Bankered originations retained for securitization	$ —	$ 152,739	(100.0)%
Bankered originations retained for securitization - units	—	341	(100.0)%
Net bankered loan volume	$ 447,437	$ 663,278	(32.5)%
Net bankered loan volume - units	1,983	3,341	(40.6)%
Gain on sales of mortgage loans	$ 4,348	$ 8,985	(51.6)%
Average gain on sale premium	1.48%	2.05%	(27.8)%

The decrease in bankered loan volumes during the nine and three month periods ended September 30, 2006 was due to decreased industry-wide loan origination volume, partially in response to increased interest rates relative to the prior comparable period.

While bankered loan volumes have decreased, the gain on sales of mortgage loans have also decreased due to lower net market spreads as a result of lower premiums when sold to third parties.

Loan losses- During the three and nine months ended September 30, 2006 the Company recognized loan losses of $4.1 million. Of this amount, $2.1 million in permanent impairment charges were recorded, consisting of $1.7 million in Mortgage Loans Held for Sale and $0.4 million in other loans carried in Prepaid and Other Assets. This write down of specific loans to fair value is reflected in the Company’s balance sheet at September 30, 2006. The Company also recorded a charge of $1.2 million for interest, premium recapture, fees and contingencies related to loan repurchases. Additionally, the Company took a loan loss charge of $0.8 million for repurchased loans that were sold during the period. There were no such charges during the nine and three month periods ended September 30, 2005.

Brokered Loan Fees. The following tables summarize brokered loan volume, fees and related expenses for the nine and three month periods ended September 30, 2006 and 2005:

Brokered Loan Fees and Brokered Loan Expense

	For the Nine Months Ended September 30,		
	2006	2005	% Change
	(dollar amounts in thousands)		
Total brokered loan volume	$ 555,945	$ 434,508	27.9%
Total brokered loan volume - units	1,855	1,672	10.9%
Brokered loan fees	$ 8,672	$ 7,181	20.8%
Brokered loan expenses	$ 6,609	$ 5,689	16.2%

	For the Three Months Ended September 30,		
	2006	2005	% Change
	(dollar amounts in thousands)		
Total brokered loan volume	$ 140,509	$ 158,832	(11.5)%
Total brokered loan volume - units	521	580	(10.2)%
Brokered loan fees	$ 2,402	$ 2,647	(9.3)%
Brokered loan expenses	$ 1,674	$ 1,483	12.9%

The increase in brokered loan volume for the nine and three month periods ended September 30, 2006 relative to the comparable periods of the prior year, is due to higher originations of loan product offerings which the Company does not banker either due to the product's higher credit risk profile (for example, sub-prime loans and option ARM loans) or other characteristics of the brokered production which preclude bankering the loan. The increase in brokered loan fees and expenses are consistent with the related increase in brokered loan volume.

Gain on sale of securities and related hedges. During the nine and three month periods ended September 30, 2006, we had a loss of $0.5 million and a gain of $0.4 million, respectively, on the sale of securities and related hedges as compared to gains of $2.2 million and $1.3 million for the respective periods of 2005.

Loss on sale of current period securitized loans. During the nine month period ended September 30, 2006, the Company recognized a loss of $0.7 million on the NYMT-2006-1 securitization of residential mortgage loans. There was no such transaction during the nine and three month periods ended September 30, 2005.

Expenses

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

	As of September 30,		
	2006	**2005**	**% Change**
	(dollar amounts in millions)		
Loan officers	378	365	3.6%
Other employees	307	492	(37.6)%
Total employees	685	857	(20.1)%
Number of sales locations	50	66	(24.2)%

	For the Nine Months Ended September 30,		
	2006	**2005**	**% Change**
	(dollar amounts in millions)		
Salaries and benefits	$ 17.7	$ 23.9	(25.9)%
Occupancy and equipment	3.9	5.0	(22.0)%
Marketing and promotion	1.6	3.9	(59.0)%
Data processing and communications	1.9	1.8	5.6%
Office supplies and expenses	1.5	1.9	(21.1)%
Travel and entertainment	0.4	0.7	(42.9)%
Depreciation and amortization	1.6	1.1	45.5%

	For the Three Months Ended September 30,		
	2006	2005	% Change
	(dollar amounts in millions)		
Salaries and benefits	$ 5.4	$ 7.3	(26.0)%
Occupancy and equipment	1.3	1.3	—
Marketing and promotion	0.4	1.3	(69.2)%
Data processing and communications	0.5	0.6	(16.7)%
Office supplies and expenses	0.4	0.7	(42.9)%
Travel and entertainment	0.1	0.3	(66.7)%
Depreciation and amortization	0.5	0.3	66.7%

Except as noted below, the category percentage changes noted above also have a trend correlation to the 25.1% and 39.9% decreases in loan origination volume experienced during the nine and three month periods ended September 30, 2006 relative the comparable periods of 2005.

Salaries and Benefits. During the nine and three month periods ended September 30, 2006, we had salaries and benefits expense of $17.7 million and $5.4 million, respectively, as compared to $23.9 million and $7.3 million for the comparable periods of 2005, a decrease of 25.9% and 26.0%, respectively. The decrease was primarily due to a reduction in employee head count and reduction in benefits costs.

Occupancy and Equipment. During the nine and three month periods ended September 30, 2006, we had occupancy and equipment expense of $3.9 million and $1.3, respectively, as compared to $5.0 million and $1.3 million for the comparable periods of 2005, a decrease of 22.0% for the comparable nine month periods and unchanged for the comparable three month periods. The decrease was primarily due to a non-cash charge-off of $0.8 million in the first quarter of 2005 related to our sublet of our former headquarters at terms below our contractual obligations for the premises.

Marketing and Promotion. During the nine and three month periods ended September 30, 2006, we had marketing and promotion expense of $1.6 million and $0.4 million, respectively, as compared to $3.9 million and $1.3 million for the comparable periods of 2005, a decrease of 59.0% and 69.2 %, respectively. For the nine and three month periods ended September 30, 2005, marketing and promotion expenses were higher relative to the same period of 2006 in order to promote newly-opened loan origination offices and the corresponding hiring of additional loan origination personnel, particularly related to our acquisition of the GRL branches in mid-November 2004.

Data Processing and Communications. During the nine and three month periods ended September 30, 2006, we had data processing and communications expense of $1.9 million and $0.5 million, respectively, as compared to $1.8 million and $0.6 million for the comparable periods of 2005, an increase of 5.5% and a decrease of 16.7%, respectively. The nine month increase was primarily due to increased expenditures for upgrading hardware for our new loan operating system and hardware and software purchases to enhance computer security during 2006. These expenditures began to decline in the three months ended September 30, 2006 contributing to the decrease from the comparable three months of 2005.

Travel and Entertainment. During the nine and three month periods ended September 30, 2006, we had travel and entertainment expense of $0.4 million and $0.1 million, respectively, as compared to $0.7 and $0.3 for the comparable

periods of 2005, a decrease of 42.9% and 66.7%, respectively. The decrease was due to the cost of a special corporate travel function that rewarded the top producers of our newly acquired GRL personnel in the first quarter of 2005.

Professional Fees Expense. During the nine and three month periods ended September 30, 2006, we had professional fees expense of $3.3 million and $0.8 million, respectively, as compared to $2.8 million and $1.0 million for the comparable periods of 2005, an increase of 17.9% and a decrease of 20.0%, respectively. The increase was primarily due to increases in association dues, professional costs related to compliance with the Sarbanes-Oxley Act of 2002 and increases in accounting and tax services. The comparable three month period decrease was due to increased Sarbanes-Oxley Act related costs in the three month period ended September 30, 2005.

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Off-Balance Sheet Arrangements

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

Liquidity and Capital Resources

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

We believe our existing cash balances and funds available under our credit facilities and cash flows from operations will be sufficient for our liquidity requirements for at least the next 12 months. Unused borrowing capacity will vary as the market values of our securities vary. Our investments and assets will also generate liquidity on an ongoing basis through mortgage principal and interest payments, pre-payments and net earnings held prior to payment of dividends. Should our liquidity needs ever exceed these on-going or immediate sources of liquidity discussed above, we believe that our securities could be sold to raise additional cash in most circumstances. In the event we expand our mortgage origination operations we may have to arrange for additional sources of capital through the issuance of debt or equity or additional bank borrowings to fund that expansion. At September 30, 2006, we had no commitments for any additional financings, and we cannot ensure that we will be able to obtain any future additional financing at the times required and on terms and conditions acceptable to us.

To finance our investment portfolio, we generally seek to borrow between eight and 12 times the amount of our equity. Our leverage ratio, defined as total financing facilities outstanding divided by total stockholders' equity, at September 30, 2006, was 17 to 1. We, and the providers of our finance facilities, generally view our $45.0 million of subordinated trust preferred debentures outstanding at September 30, 2006 as a form of equity which would result in an adjusted leverage ratio of 10 to 1.

Under our warehouse facilities, we have arrangements to enter into repurchase agreements, a form of collateralized short-term borrowing, with 23 different financial institutions with total borrowing capacity of $5.3 billion; as of September 30, 2006 we had borrowed from seven of these firms. These agreements are secured by our mortgage-backed securities and bear interest rates that have historically moved in close relationship to LIBOR. As of September 30, 2006 we had $887.0 million in outstanding repurchase agreements under our warehouse facilities. Under these repurchase agreements the financial institutions lend money versus the market value of our mortgage-backed securities portfolio, and, accordingly, an increase in interest rates can have a negative impact on the valuation of these securities, resulting in a potential margin call from the financial institution. We monitor the market valuation fluctuation as well as other liquidity needs to ensure there is adequate collateral available to meet any additional margin calls or liquidity requirements.

We enter into interest rate swap agreements to extend the maturity of our repurchase agreements as a mechanism to reduce the interest rate risk of the securities portfolio. At September 30, 2006 we had $285.0 million in interest rate swaps outstanding with five different financial institutions. The weighted average maturity of the swaps was 785 days at September 30, 2006. The impact of the interest rate swaps extends the maturity of the repurchase agreements to

nine months.

To originate a mortgage loan, we may draw against a $200.0 million master repurchase facility with Credit Suisse Capital, LLC, or CSFB, a master repurchase facility with Greenwich Capital for $250 million and a $300 million facility with Deutsche Bank Structured Products, Inc. Under these agreements, the counterparty provides financing to us for the origination or acquisition of certain mortgage loans, which then will be sold to third parties or contributed for future securitization to one or more trusts or other entities sponsored by us or an affiliate. We will repay advances under these credit facilities with a portion of the proceeds from the sale of all mortgage-backed securities issued by the trust or other entity, along with a portion of the proceeds resulting from permitted whole loan sales. Advances under these facilities bear interest at a floating rate initially equal to LIBOR plus a spread (starting at 0.625%) that varies depending on the types of mortgage loans securing these facilities. Advances under these facilities are subject to lender approval of the mortgage loans intended for origination or acquisition, advance rates and the then ratio of our liabilities to our tangible net worth. These facilities are not committed facilities and may be terminated at any time at the discretion of the counterparties. As of September 30, 2006, the outstanding balance on the Greenwich facility was $0.0, the outstanding on the Deutsche Bank facility was $86.5 million, and the outstanding balance of the CSFB facility was $121.8 million with the maximum aggregate amount of $541.7 million available for additional borrowings.

The documents governing these facilities contain a number of compensating balance requirements and restrictive financial and other covenants that, among other things, require us to maintain a maximum ratio of total liabilities to tangible net worth, of 15 to 1 in the case of the CSFB facility, 20 to 1 in the case of the Greenwich Capital facility and 15 to 1 in the case of Deutsche Bank, as well as to comply with applicable regulatory and investor requirements. The lines contain various covenants pertaining to, among other things, maintenance of certain amounts of net worth, periodic income thresholds and working capital. As of September 30, 2006, the Company was in compliance with all covenants, with the exception of the net income covenant on all of the facilities and waivers have been obtained from these institutions. As these annual agreements are negotiated for renewal, these covenants may be further modified. The agreements are each renewable annually, but are not committed, meaning that the counterparties to the agreements may withdraw access to the credit facilities at any time.

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

- transfer or sell assets;
- create liens on the collateral; or
- incur additional indebtedness, without obtaining the prior consent of the lenders, which consent may not be unreasonably withheld.

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

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

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

As of September 30, 2006, our aggregate warehouse and repurchase facility borrowings under these facilities were $208.3 million and $887.0 million, respectively, at an average interest rate of approximately 5.52% compared to $225.2 million and $1.2 billion, respectively, at an average interest rate of approximately 5.14% at December 31, 2005.

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

than the amortized costs of such investments, we will incur losses.

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

- interest rates on our loans compared to market interest rates;
- the borrower credit risk classification;
- loan-to-value ratios, loan terms, underwriting and documentation; and
- general economic conditions.

We make certain representations and warranties, and are subject to various affirmative and negative financial and other covenants, under the agreements covering the sale of our mortgage loans regarding, among other things, the loans' compliance with laws and regulations, their conformity with the ultimate investors' underwriting standards and the accuracy of information. In the event of a breach of these representations, warranties or covenants or in the event of an early payment default, we may be required to repurchase the loans and indemnify the loan purchaser for damages caused by that breach. We have implemented strict procedures to ensure quality control and conformity to underwriting standards and minimize the risk of being required to repurchase loans. We have been required to repurchase loans we have sold from time to time and these repurchases may result in losses in the case of problem loans.

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

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

- sell assets in adverse market conditions;
- borrow on unfavorable terms; or
- distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt, in order to comply with the REIT distribution requirements.

Inflation

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

a purchase transaction may be adversely affected. During periods of decreasing interest rates, borrowers may prepay their mortgages, which in turn may adversely affect our yield and subsequently the value of our portfolio of mortgage assets.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

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

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

Interest Rate Risk

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

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

In our investment portfolio, our primary market risk is interest rate risk. The level of risk in our investment portfolio posed by interest rates is subject to the sensitivity of our portfolio to movement in interest rates, including the effect on future earnings potential, prepayments, valuations and overall liquidity. We attempt to manage interest rate risk by adjusting portfolio compositions, liability maturities and utilizing interest rate derivatives including interest rate swaps and caps. Management’s goal is to maximize the earnings potential of the portfolio while maintaining long term stable portfolio valuations.

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

Based on the results of this model, as of September 30, 2006, an instantaneous shift of 100 basis points in interest rates would result in an approximate decrease in the net interest spread by 40-45 basis points as compared to our base line projections over the next year. Net interest spread is net interest income (gross interest income less amortization) less net interest expense (interest expense adjusted for hedging income or expense).

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

	As of September 30, 2006		
	Notional Amount	Carrying Amount	Estimated Fair Value
Investment securities available for sale	$ 527,275	$ 523,969	$ 523,969
Mortgage loans held in the securitization trusts	624,528	628,625	624,342
Mortgage loans held for sale	109,095	109,197	110,538
Commitments and contingencies:			
Interest rate lock commitments	258,368	506	506
Forward loan sales contracts	176,543	(686)	(686)
Interest rate swaps	285,000	717	717
Interest rate caps	1,615,545	2,179	2,179

	As of December 31, 2005		
	Notional Amount	Carrying Amount	Estimated Fair Value
Investment securities available for sale	$ 719,701	$ 716,482	$ 716,482
Mortgage loans held for investment	4,054	4,060	4,079
Mortgage loans held in the securitization trusts	771,451	776,610	775,311
Mortgage loans held for sale	108,244	108,271	109,252
Commitments and contingencies:			
Interest rate lock commitments - loan commitments	130,320	123	123
Interest rate lock commitments - mortgage loans held for sale	108,109	(14)	(14)
Forward loan sales contracts	201,771	(380)	(380)
Interest rate swaps	645,000	6,383	6,383
Interest rate caps	1,858,860	3,340	3,340

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

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

Conversely, if interest rates rise or if the differences between long-term and short-term interest rates increase the rate of prepayment on our mortgage assets may decrease. Decreased prepayments would cause us to amortize the premiums paid for our ARM assets over a longer time period, thus resulting in an increased net yield on our mortgage assets. Therefore, in rising interest rate environments where prepayments are declining, not only would the interest rate on the ARM Assets portfolio increase to re-establish a spread over the higher interest rates, but the yield also

would rise due to slower prepayments. The combined effect could mitigate other negative effects that rising short-term interest rates might have on earnings.

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

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

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

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

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

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

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

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

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

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

Credit Spread Exposure

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

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

Market (Fair Value) Risk

For certain of the financial instruments that we own, fair values will not be readily available since there are no active trading markets for these instruments as characterized by current exchanges between willing parties. Accordingly, fair values can only be derived or estimated for these investments using various valuation techniques, such as computing the present value of estimated future cash flows using discount rates commensurate with the risks involved. However, the determination of estimated future cash flows is inherently subjective and imprecise. Minor changes in assumptions or estimation methodologies can have a material effect on these derived or estimated fair values. These estimates and assumptions are indicative of the interest rate environments as of September 30, 2006 and do not take into consideration the effects of subsequent interest rate fluctuations.

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

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

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

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

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

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

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

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

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

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

The table below presents the sensitivity of the market value of our portfolio using a discounted cash flow simulation model. Application of this method results in an estimation of the percentage change in the market value of our assets, liabilities and hedging instruments per 100 basis point ("bp") shift in interest rates expressed in years - a measure commonly referred to as "duration". Positive portfolio duration indicates that the market value of the total portfolio will decline if interest rates rise and increase if interest rates decline. The closer duration is to zero, the less interest rate changes are expected to affect earnings. Included in the table is a "Base Case" duration calculation for an interest rate scenario that assumes future rates are those implied by the yield curve as of September 30, 2006. The other two scenarios assume interest rates are instantaneously 100 and 200 bps higher that those implied by market rates as of September 30, 2006.

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

accrued expenses are excluded. The duration calculated from this model is a key measure of the effectiveness of our interest rate risk management strategies.

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

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Net Portfolio Duration as of September 30, 2006

	Base	Basis Point Increase +100	+200
Mortgage Portfolio	0.98 years	1.37 years	1.52 years
Borrowings (including hedges)	0.47 years	0.47 years	0.47 years
Net	0.51 years	0.90 years	1.05 years

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

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

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

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

Liquidity and Funding Risk

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

Our mortgage lending operations require significant cash to fund loan originations. Our warehouse lending arrangements, including repurchase agreements, support the mortgage lending operation. Generally, our warehouse mortgage lenders allow us to borrow between 96% and 100% of the outstanding principal. Funding for the difference - generally 2% of the principal - must come from other cash inflows. Our operating cash inflows are predominately from cash flow from mortgage securities, principal and interest on mortgage loans, third party sales of originated loans that do not fit our portfolio investment criteria, and fee income from loan originations. Other than access to our financing facilities, proceeds from equity offerings have been used to support operations.

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

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

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

Prepayment Risk

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

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

For the nine and three months ended September 30, 2006, our mortgage assets paid down at an approximate average annualized CPR of 21% and 20% respectively, as compared to 30% and 30% for the comparable periods on 2005 and 27% for the year ended December 31, 2005. When prepayment experience increases, we have to amortize our premiums over a shorter time period, resulting in a reduced yield to maturity on our ARM Assets. Conversely, if actual prepayment experience decreases, we would amortize the premium over a longer time period, resulting in a higher yield to maturity. We monitor our prepayment experience on a monthly basis and adjust the amortization of the net premium, as appropriate.

Credit Risk

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

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

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

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management timely. An evaluation was performed under the supervision and with the participation of our management, including our Co-Chief Executive Officers and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of September 30, 2006. Based upon that evaluation, our management, including our Co-Chief Executive Officers and our Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of September 30, 2006.

Changes in Internal Control over Financial Reporting. There has been no change in our internal control over financial reporting during the quarter ended September 30, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in legal proceedings in the ordinary course of business. We do not believe that any of our current legal proceedings, individually or in the aggregate, will have a material adverse effect on our operations or financial condition.

Item 5. Other Information

The Company previously disclosed in its Current Report on Form 8-K filed with the SEC on November 1, 2006, the resignation of Michael I. Wirth as the Company's Executive Vice President, Chief Financial Officer, Secretary and Treasurer. In connection with Mr. Wirth's resignation, the Employment Agreement, by and between Mr. Wirth and the Company, was terminated effective November 3, 2006.

Item 6. Exhibits

No.	Description
3.1	Articles of Amendment and Restatement of the Registrant (incorporated by reference to Exhibit 3.01 to our Registration Statement on Form S-11/A filed on June 18, 2004 (Registration No. 333-111668)).
3.2(a)	Bylaws of the Registrant (incorporated by reference to Exhibit 3.02 to our Registration Statement on Form S-11/ A filed on June 18, 2004 (Registration No. 333-111668)).
3.2(b)	Amendment No. 1 to Bylaws of Registrant (incorporated by reference to Exhibit 3.2(b) to Registrant's Annual Report on Form 10-K filed on March 16, 2006)
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.01 to our Registration Statement on Form S-11/ A filed on June 18, 2004 (Registration No. 333-111668)).
4.2	(a) Junior Subordinated Indenture between The New York Mortgage Company, LLC and JPMorgan Chase Bank, National Association, as trustee, dated September 1, 2005 (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on September 6, 2005).
4.2(b)	Amended and Restated Trust Agreement among The New York Mortgage Company, LLC, JPMorgan Chase Bank, National Association, Chase Bank USA, National Association and the Administrative Trustees named therein, dated September 1, 2005 (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on September 6, 2005).
10.120	Amendment No. 11 to Amended and Restated Master Repurchase Agreement Among Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company LLC, New York Mortgage Funding, LLC and New York Mortgage Trust, Inc. dated as of October 16, 2006.

10.121	Amendment No. 12 to Amended and Restated Master Repurchase Agreement Among Credit Suisse First Boston Mortgage Capital LLC, The New York Mortgage Company LLC, New York Mortgage Funding, LLC and New York Mortgage Trust, Inc. dated as of November 9, 2006.
31.1	Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.3	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

No.	Description
32.1	Certification of Co-Chief Executive Officers pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.).
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended).

SIGNATURES

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

Date: November 9, 2006	By: /s/ Steven B. Schnall Steven B. Schnall Chairman, President and Co-Chief Executive Officer
Date: November 9, 2006	By: /s/ David A. Akre David A. Akre Vice Chairman and Co-Chief Executive Officer
Date: November 9, 2006	By: /s/ Steven R. Mumma Steven R. Mumma Chief Financial Officer

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