NEW YORK MORTGAGE TRUST INC

FORM 10-K
(Annual Report)

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Address	275 MADISON AVENUE
	NEW YORK, NY 10016
Telephone	(212) 792-0107
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Industry	Specialized REITs
Sector	Financials
Fiscal Year	12/31

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2016

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

For the Transition Period From ____________ to ____________

Commission File Number 001-32216

NEW YORK MORTGAGE TRUST, INC.
(Exact name of registrant as specified in its charter)

Maryland	**47-0934168**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

275 Madison Avenue, New York, NY 10016
(Address of principal executive office) (Zip Code)
(212) 792-0107
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	NASDAQ Stock Market
7.75% Series B Cumulative Redeemable Preferred Stock, par value $0.01 per share, $25.00 Liquidation Preference	NASDAQ Stock Market
7.875% Series C Cumulative Redeemable Preferred Stock, par value $0.01 per share, $25.00 Liquidation Preference	NASDAQ Stock Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

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

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

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2016 was $ 660,147,923 .

The number of shares of the registrant’s common stock, par value $.01 per share, outstanding on February 28, 2017 was 111,843,236 .

DOCUMENTS INCORPORATED BY REFERENCE

Document	**Where Incorporated**
1. Portions of the Registrant's Definitive Proxy Statement relating to its 2017 Annual Meeting of Stockholders scheduled for May 2017 to be filed with the Securities and Exchange Commission by no later than April 28, 2017.	**Part III, Items 10-14**

NEW YORK MORTGAGE TRUST, INC.

FORM 10-K

For the Fiscal Year Ended December 31, 2016

TABLE OF CONTENTS

PART I

Item 1. *BUSINESS*

In this Annual Report on Form 10-K we refer to New York Mortgage Trust, Inc., together with its consolidated subsidiaries, as "we," "us," "Company," or "our," unless we specifically state otherwise or the context indicates otherwise, and refer to our wholly-owned taxable REIT subsidiaries as "TRSs" and our wholly-owned qualified REIT subsidiaries as "QRSs." In addition, the following defines certain of the commonly used terms in this report: "RMBS" refers to residential mortgage-backed securities comprised of adjustable-rate, hybrid adjustable-rate, fixed-rate, interest only and inverse interest only, and principal only securities; "Agency RMBS" refers to RMBS representing interests in or obligations backed by pools of mortgage loans issued or guaranteed by a federally chartered corporation ("GSE"), such as the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac"), or an agency of the U.S. government, such as the Government National Mortgage Association ("Ginnie Mae"); "Agency ARMs" refers to Agency RMBS comprised of adjustable-rate and hybrid adjustable-rate RMBS; "Agency fixed-rate" refers to Agency RMBS comprised of fixed-rate RMBS; "non-Agency RMBS" refers to RMBS backed by prime jumbo residential mortgage loans, including re-performing and non-performing loans; "IOs" refers collectively to interest only and inverse interest only mortgage-backed securities that represent the right to the interest component of the cash flow from a pool of mortgage loans; "Agency IOs" refers to IOs that represent the right to the interest components of the cash flow from a pool of residential mortgage loans issued or guaranteed by a GSE or an agency of the U.S. government; "POs" refers to mortgage-backed securities that represent the right to the principal component of the cash flow from a pool of mortgage loans; "ARMs" refers to adjustable-rate residential mortgage loans; "prime ARM loans" and "residential securitized loans" each refer to prime credit quality residential ARM loans ("prime ARM loans") held in securitization trusts; "distressed residential loans" refers to pools of performing and re-performing, fixed-rate and adjustable-rate, fully amortizing, interest-only and balloon, seasoned mortgage loans secured by first liens on one- to four-family properties ; " CMBS" refers to commercial mortgage-backed securities comprised of commercial mortgage pass-through securities, as well as IO or PO securities that represent the right to a specific component of the cash flow from a pool of commercial mortgage loans; "multi-family CMBS" refers to CMBS backed by commercial mortgage loans on multi-family properties; "CDO" refers to collateralized debt obligation; "CLO" refers to collateralized loan obligation; "Consolidated K-Series" refers to, as of December 31, 2016 and December 31, 2015 , five separate Freddie Mac- sponsored multi-family loan K-Series securitizations, of which we, or one of our "special purpose entities," or "SPEs," own the first loss PO securities and certain IO securities; "Variable Interest Entity" or "VIE" refers to an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties; and "Consolidated VIEs" refers to VIEs where the Company is the primary beneficiary, as it has both the power to direct the activities that most significantly impact the economic performance of the VIE and a right to receive benefits or absorb losses of the entity that could be potentially significant to the VIE.

General

We are a real estate investment trust, or REIT, for federal income tax purposes, in the business of acquiring, investing in, financing and managing mortgage-related and residential housing-related assets and financial assets. Our objective is to deliver long-term stable distributions to our stockholders over changing economic conditions through a combination of net interest margin and net realized capital gains from a diversified investment portfolio. Our portfolio includes credit sensitive assets and investments sourced from distressed markets in recent years that create the potential for capital gains, as well as more traditional types of mortgage-related investments that generate interest income.

Our investment portfolio includes residential mortgage loans, including second mortgages and loans sourced from distressed markets, non-Agency RMBS, multi-family CMBS, preferred equity and joint venture equity investments in, and mezzanine loans to, owners of multi-family properties, equity and debt securities issued by entities that invest in residential and commercial real estate and Agency RMBS. Subject to market conditions, we intend to continue to reduce our investment in Agency RMBS in future periods and to redeploy capital from such assets sales to credit sensitive assets. Subject to maintaining our qualification as a REIT, we also may opportunistically acquire and manage various other types of mortgage-related and financial assets that we believe will compensate us appropriately for the risks associated with them, including, without limitation, collateralized mortgage obligations and securities issued by newly originated residential securitizations, including credit sensitive securities from these securitizations.

In recent years, we have transitioned our portfolio to one focused increasingly on residential and multi-family credit assets, which we believe will benefit from improving credit metrics. As part of our greater focus on credit assets, we acquired 100% of RiverBanc LLC, or RiverBanc, an investment management firm that managed over $400 million of direct and indirect investments in multi-family apartment properties on behalf of both public and private institutional investors, including our Company, as well as ownership interests in certain other RiverBanc-managed entities. Consistent with this approach to capital allocation, we acquired an additional $314.7 million of residential and multi-family credit assets during the year ended December 31, 2016 , while reducing our net capital allocated to Agency RMBS and Agency IO by approximately $47.9 million .

We seek to achieve a balanced and diverse funding mix to finance our assets and operations. We currently rely primarily on a combination of short-term borrowings, such as repurchase agreements with terms typically of 30 days, longer term repurchase agreement borrowing with terms between one year and 18 months and longer term structured financings, such as securitizations with terms longer than one year.

We internally manage a portion of our portfolio, including Agency ARMs, Agency fixed-rate RMBS, non-Agency RMBS, residential securitized loans, second mortgage loans, multi-family CMBS and preferred equity and joint venture equity investments in, and mezzanine loans to, owners of multi-family properties. In addition, as part of our investment strategy, we also utilize certain external investment managers to manage specific asset types that we target or own. Accordingly, Headlands Asset Management, LLC, or Headlands, provides investment management services with respect to our investments in distressed residential loans, and The Midway Group, L.P., or Midway, provides investment management services with respect to our investments in Agency IOs.

We have elected to be taxed as a REIT for federal income tax purposes and have complied, and intend to continue to comply, with the provisions of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), with respect thereto. Accordingly, we do not expect to be subject to federal income tax on our REIT taxable income that we currently distribute to our stockholders if certain asset, income, distribution and ownership tests and recordkeeping requirements are fulfilled. Even if we maintain our qualification as a REIT, we expect to be subject to some federal, state and local taxes on our income generated in our TRSs.

The financial information requirements required under this Item 1 may be found in our consolidated financial statements beginning on page F-1 of this Annual Report.

Our Investment Strategy

Our strategy is to construct a portfolio of mortgage-related and residential housing-related assets that includes elements of credit risk, to a larger extent, and interest rate risk, to a lesser extent. Our investment strategy focuses increasingly on the acquisition and management of “credit residential” assets, which we define as (i) residential mortgage loans, including distressed residential loans and second mortgage loans, (ii) non-Agency RMBS, (iii) multi-family investments, including CMBS, mezzanine loans to, and preferred and joint venture equity investments in, owners of multi-family properties, and (iv) equity and debt securities issued by entities that invest in residential and commercial real estate. By focusing our investment strategy on credit residential assets, we target assets that we believe will provide an attractive total rate of return rather than focusing on assets that provide strictly net interest margin. We also own a portfolio of leveraged Agency RMBS, which includes Agency ARMs, Agency fixed-rate and Agency IOs, although we began reducing our investment in this asset class in 2016, and we may pursue opportunistic acquisitions of other types of assets that meet our investment criteria.

Prior to deploying capital to any of the assets we target or determining to dispose of any of our investments, our management team will consider, among other things, the amount and nature of anticipated cash flows from the asset, our ability to finance or borrow against the asset and the terms of such financing, the related capital requirements, the credit risk related to the asset or the underlying collateral, the composition of our investment portfolio, REIT qualification and other regulatory requirements and future general market conditions. Consistent with our strategy to produce returns through a combination of net interest margin and net realized capital gains, we will seek, from time to time, to sell certain assets within our portfolio when we believe the combination of realized gains on an asset and reinvestment potential for the related sale proceeds are consistent with our long-term return objectives.

Our investment strategy does not, subject to our continued compliance with applicable REIT tax requirements and the maintenance of our exclusion from the Investment Company Act of 1940, as amended (the “Investment Company Act”), limit the amount of our capital that may be invested in any of these investments or in any particular class or type of assets. Thus, our future investments may include asset types different from the targeted or other assets described in this Annual Report. The investment and capital allocation decisions of our Company and our external managers depend on prevailing market conditions, among other factors, and may change over time in response to opportunities available in different economic and capital market environments. As a result, we cannot predict the percentage of our capital that will be invested in any particular investment at any given time.

For more information regarding our portfolio as of December 31, 2016 , see Item 7 - “Management’s Discussion and Analysis of Financial Condition and Results of Operations” below.

Investments in Credit Residential Assets

We seek to identify credit sensitive assets, primarily relating to residential housing and multi-family housing, from which we can extract value through a combination of current yield and/or capital appreciation. Currently, our portfolio of credit residential assets is comprised of investments in two asset categories: structured multi-family property investments and distressed residential assets.

Structured Multi-Family Property Investments

We seek to position our structured multi-family investment platform in the marketplace as a real estate investor focused on debt and equity transactions involving multifamily apartment properties. We do not seek to be the sole owner or day-to-day manager of properties. Rather, we intend to participate at various levels within the capital structure of the properties, typically (i)as a “capital partner” by lending to or co-investing alongside a project-level sponsor that has already identified an attractive investment opportunity, or (ii) through a subordinated tranche of a multi-family loan securitization. Our multi-family property investments are not limited to any particular geographic area in the United States. In general terms, we expect to that our multi-family investments will principally be in the form of multi-family CMBS, as well as preferred equity and joint venture equity investments in, and mezzanine loans to, owners of multi-family apartment properties.

With respect to those investments where we participate as a capital partner, we generally pursue existing multi-family properties that have in-place cash flow and unique or compelling attributes that provide an opportunity for value creation and increased returns through the combination of better management or capital improvements that will lead to net cash flow growth and capital gains. Generally, we target investments in multi-family properties that are or have been:

- located in a particularly dynamic submarket with strong prospects for rental growth;
- located in smaller markets that are underserved and more attractively priced;
- poorly managed by the previous owner, creating an opportunity for overall net income growth through better management practices;
- undercapitalized and may benefit from an investment in physical improvements; or
- highly stable and are suitably positioned to support high-yield preferred equity or mezzanine debt within their capital structure.

As a capital partner, we generally seek experienced property-level operators or real estate entrepreneurs who have the ability to identify and manage strong investment opportunities but may lack the financial resources to fully fund the capital needed for a property acquisition. We intend to require our operating partners to materially co-invest in every investment we make with them as a capital partner.

Multi-Family CMBS. Our portfolio of multi-family CMBS is comprised of (i) fixed rate PO securities issued from the first loss tranche, or "first loss," of certain multi-family K-series securitizations sponsored by Freddie Mac and (ii) certain IO securities issued by these securitizations. Our investments in these privately placed first loss PO securities generally represent approximately 7.5% of the overall securitization which typically totals approximately $1.0 billion in multi-family residential loans consisting of 70 to 100 individual properties diversified across a wide geographic footprint in the United States. These first loss securities are typically backed by balloon non-recourse mortgage loans that provide for the payment of principal at maturity date, which is typically seven to ten years. Moreover, each first loss tranche of multi-family CMBS in our portfolio is, in most cases, the most junior tranche of security issued by the securitization, meaning it will absorb all losses in the securitization prior to other more senior tranches being exposed to loss. As a result, each of the first loss securities in our portfolio has been purchased, upon completion of a credit analysis and due diligence by our external manager and after consultation with and approval of our senior management, at a sizable discount to its then-current par value, which we believe provides us with adequate protection against projected losses. In addition, as the owner of the first loss tranche, the Company has the right to participate in the workout of any distressed property in the securitization. We believe this right will allow the Company to mitigate or reduce any possible loss associated with the distressed property. IO securities that we own have been stripped off the entire securitization allowing the Company to receive cashflows over the life of the multi-family loans backing the securitization. These investments range from 10 to 17 basis points and the underlying notional amount approximates $1.0 billion each. We may in the future invest in more senior tranches of multi-family CMBS, which may include some form of leverage, if we believe the risk-adjusted returns for such assets are attractive. In addition, we may acquire multi-family CMBS from private originators of, or investors in, mortgage loans, including non-financial institutions and other entities. With respect to the multi-family CMBS owned by us, all of the loans that back the respective securitizations have been underwritten in accordance with Freddie Mac underwriting guidelines and standards; however, the multi-family securities we own are not guaranteed by Freddie Mac.

Preferred Equity . We currently own, and expect to originate in the future, preferred equity investments in entities that directly or indirectly own multifamily properties. Preferred equity is not secured, but holders have priority relative to the common equity on cash flow distributions and proceeds from capital events. In addition, as a preferred holder we may seek to enhance our position and protect our equity position with covenants that limit the entity's activities and grant to the preferred holders the right to control the property upon default under relevant loan agreements or under the terms of our preferred equity investments. Occasionally, the first mortgage on a property prohibits additional liens and a preferred equity structure provides an attractive financing alternative. With preferred equity investments, we may become a special limited partner or member in the ownership entity and may be entitled to take certain actions, or cause a liquidation, upon a default. Under the typical arrangement, the preferred equity investor receives a stated return, and the common equity investor receives all cash flow only after that return has been met. Preferred equity typically is more highly leveraged, with loan-to-value ratios of 85% to 90%. We expect our preferred equity investments will have mandatory redemption dates that will generally be coterminous with the maturity date for the senior loan on the property, and we expect to hold these investments until the mandatory redemption date. We generally intend to underwrite these investments such that our investment in these assets will produce not less than an approximately 12% current return on investment, plus fees.

Mezzanine Loans . We currently own, and anticipate making in the future, mezzanine loans that are senior to the operating partner's equity in, and subordinate to a first-mortgage loan on, a multi-family property. These loans are secured by pledges of ownership interests, in whole or in part, in entities that directly or indirectly own the real property. In addition, we may require other collateral to secure mezzanine loans, including letters of credit, personal guarantees or collateral unrelated to the property.

We may structure our mezzanine loans so that we receive a stated fixed or variable interest rate on the loan as well as a percentage of gross revenues and a percentage of the increase in the fair market value of the property securing the loan, payable upon maturity, refinancing or sale of the property. Our mezzanine loans may also have prepayment lockouts, prepayment penalties, minimum profit hurdles or other mechanisms to protect and enhance returns in the event of premature repayment. We expect these investments will typically have terms from three to ten years and typically bear interest at a rate of 12% to 14% in the current market. Mezzanine loans typically have loan-to-value ratios between 85% and 90%. Similar to our preferred equity investments, we generally expect to underwrite our mezzanine loans such that a loan will produce not less than an approximately 12% current return on investment, plus fees.

Joint Venture Equity. We currently own, and may make joint venture investments in entities that own multi-family properties. Joint venture equity is a direct common equity ownership interest in an entity that owns a property. In this type of investment, the return of capital to us is variable and is made on a *pari passu* basis between us and the other operating partners. In most cases, we expect to provide between 50% and 95% of the total equity capital for the joint venture, with our operating partner providing the balance of the equity capital, although we prefer to provide approximately 80% of the total equity capital in these structures. We typically require the operating agreement that governs our joint venture investment to provide for a minimum 10% hurdle return to all investors before the manager of a joint venture property, which is typically affiliated with our operating partners, will become eligible for any promoted interest. We generally expect to underwrite our joint venture equity investments such that our investments in these assets will produce an approximately 15% gross internal rate of return on our investment over our expected holding period, which is typically five to seven years.

Other . We may also acquire investments that are structured with terms that reflect a combination of the investment structures described above. We also may invest, from time to time, based on market conditions, in other multifamily investments, structured investments in other property categories, equity and debt securities issued by entities that invest in residential and commercial real estate or in other mortgage-related assets that enable us to qualify or maintain our qualification as a REIT or otherwise.

Distressed Residential Assets

We first began acquiring residential mortgage loans in 2012 from select mortgage loan originators and secondary market institutions. We do not originate loans currently nor provide direct financing to lenders; rather, we generally seek to acquire pools of distressed residential mortgage loans from select mortgage loan originators and secondary market institutions and contract with originators to acquire second lien mortgages they originate that meet our purchase criteria. We do not directly service the mortgage loans we acquire, and instead contract with fully licensed third-party subservicers to handle substantially all servicing functions. Since our inception, we have rotated in and out of non-Agency RMBS as market conditions warranted.

Distressed Residential Loans. During the years ended December 31, 2016 and 2015 , we acquired multiple pools of distressed residential mortgage loans having an estimated aggregate market value of approximately $59.8 million and $152.2 million , respectively, at the time of their respective acquisitions. These distressed residential mortgage loans consist of performing and re-performing, fixed- and adjustable-rate, fully-amortizing, interest-only and balloon, seasoned mortgage loans secured by first liens on one- to four-family properties. The loans were purchased at a discount to the aggregate principal amount outstanding, which we believe will provide us with adequate credit protection and an opportunity to modify and sell the loan and achieve an attractive yield. Our distressed residential mortgage loans are sourced and managed by Headlands.

Second Mortgages. During the third quarter of 2015, we announced the expansion of our credit residential strategy through investments in targeted newly originated second lien mortgages, or "second mortgages". Pursuant to our second mortgage program, we have established relationships with mortgage originators that will underwrite the second mortgages to guidelines established by us. These guidelines should lead to the origination of a mortgage that will be a qualified mortgage as defined by the Consumer Finance Protection Bureau. We intend to purchase from these originators the closed second mortgages that meet our underwriting guidelines and have gone through our due diligence procedures. We intend to continue to accumulate second mortgage loans pursuant to flow sale and purchase agreements with our current partners and we intend to pursue new relationships with additional partners in the future. We believe this program will provide us with an attractive way to expand our portfolio with credit assets that should generate attractive risk-adjusted returns by targeting higher credit-quality borrowers that we believe are currently underserved by large financial institutions.

Investments in Non-Agency RMBS. In 2016, we increased our investments in non-Agency RMBS collateralized by re-performing and non-performing loans. Our non-Agency RMBS were purchased primarily in offerings of new issues of such securities at prices at or around par and represent the senior tranches in the securitizations of the loan portfolios collateralizing such securities. These non-Agency RMBS are structured with significant credit enhancement (typically approximately 50%, subject to market and credit conditions) to mitigate our exposure to credit risk on these securities. The subordinate tranche(s) absorb(s) all credit losses (until extinguished) and typically receives no cash flow (interest or principal) until the senior tranche is paid off. In addition, these deal structures contain an interest rate step-up feature, whereby the coupon on the senior tranche increases by 300 basis points if the security that we hold has not been redeemed by the issuer after 36 months. We expect that the combination of the priority cash flow of the senior tranche and the 36-month step-up will result in these securities' exhibiting short average lives and, accordingly, reduced interest rate sensitivity. Consequently, we believe that non-Agency RMBS provide attractive returns given our assessment of the interest rate and credit risk associated with these securities.

Leveraged Agency RMBS Investments

Our Agency RMBS consist of Agency ARMs, Agency fixed-rate RMBS and Agency IOs. Our Agency ARMs and Agency fixed-rate RMBS portfolios are managed by us, our Agency IO portfolio is managed by Midway. Our Agency ARMs consist of pass-through certificates, the principal and interest of which are guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae, and are backed by ARMs or hybrid ARMs. Our current portfolio of Agency ARMs has interest reset periods ranging from 30 years to less than three months.

Our Agency fixed-rate RMBS portfolio consists of pass-through certificates, the principal and interest of which are guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae, which are primarily backed by 15-year residential fixed rate mortgage loans with lesser amounts invested in 20-year residential fixed-rate mortgage loans. The majority of these securities have coupons ranging from 2.5% to 3.5%.

Agency IOs are securities that represent the right to receive the interest portion of the cash flow from a pool of mortgage loans issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. Agency IOs allow us to make a direct investment in borrower prepayment trends; however, Agency IOs introduce increased risk due to price sensitivity as these securities have no underlying principal cash flows, which will cause them to underperform in high prepayment environments as future interest payments will be reduced as a direct result of prepayments. In a rising interest rate environment, the value of an Agency IO generally tends to increase as their expected average life increases and prepayments decrease. Our investments in Agency IOs and related hedging and borrowing activities are managed by Midway. We sometimes refer to these investments and related hedging and borrowing activities as our Agency IO strategy or our Agency IO portfolio.

It should be noted that the guarantee provided by the GSEs on Agency RMBS issued by them does not protect us from prepayment risk. In addition, our Agency RMBS (including Agency IOs) are at risk to new or modified government-sponsored homeowner stimulus programs that may induce unpredictable and excessively high prepayment speeds resulting in accelerated premium amortization and reduced net interest margin, both of which could materially adversely affect our business, financial condition and results of operations.

Other

Residential Securitized Loans. Our portfolio also includes prime ARM loans held in securitization trusts (which we sometimes refer to as "residential securitized loans" or “residential mortgage loans held in securitization trusts”). The prime ARM loans held in securitization trusts are loans that primarily were originated by our discontinued mortgage lending business, and to a lesser extent purchased from third parties, that we securitized in 2005. These loans are substantially prime, full documentation, hybrid ARMs on residential properties and are all first lien mortgages. We maintain the ownership trust certificates, or equity, of these securitizations, which includes rights to excess interest, if any, and also take an active role in managing delinquencies and default risk related to the loans.

Our Financing Strategy

We strive to maintain and achieve a balanced and diverse funding mix to finance our assets and operations. To achieve this, we rely primarily on a combination of short-term and longer-term repurchase agreement borrowings and structured financings, including securitized debt, CDOs and long-term subordinated debt, and the issuance of convertible notes. The Company's policy for leverage is based on the type of asset, underlying collateral and overall market conditions, with the intent of obtaining more permanent, longer-term financing for our more illiquid assets, such as our credit sensitive first loss tranche multi-family CMBS and distressed residential loans. Currently, we target maximum leverage ratios for callable or short-term financings of 8 to 1, in the case of Agency RMBS (other than Agency IOs), and 2 to 1, in the case of Agency IOs. We may utilize short term financing on other asset classes with leverage ratios driven by the nature of the underlying asset as well as current market conditions.

As of December 31, 2016 , our overall leverage ratio, including our short-term financings, such as repurchase agreements, and longer-term financings, such as securitized debt and subordinated debt (excluding the CDOs issued by the Consolidated K-Series and our residential CDOs), divided by stockholders’ equity, was approximately 1.4 to 1. Our leverage ratio on our short term financings or callable debt was approximately 1.1 to 1. In each case, there may be occasional short-term increases or decreases in the amount of leverage used due to significant market events, and we may change our leverage strategy at any time. We monitor all at risk or short term borrowings to ensure that we have adequate liquidity to satisfy margin calls and liquidity covenant requirements.

We primarily rely on short-term repurchase agreements to fund our Agency RMBS portfolio. These repurchase agreements provide us with short-term borrowings (typically 30 days) that bear interest rates that are linked to the London Interbank Offered Rate ("LIBOR"), a short term market interest rate used to determine short term loan rates. Pursuant to these repurchase agreements, the financial institution that serves as a counterparty will generally agree to provide us with financing based on the market value of the securities that we pledge as collateral, less a "haircut." The market value of the collateral represents the price of such collateral obtained from generally recognized sources or most recent closing bid quotation from such source plus accrued income. Our repurchase agreements may require us to deposit additional collateral pursuant to a margin call if the market value of our pledged collateral declines as a result of market conditions or due to principal repayments on the mortgages underlying our pledged securities. Interest rates and haircuts will depend on the underlying collateral pledged.

With respect to our investments in credit residential assets, we finance our investment in these assets primarily through working capital and, subject to market conditions, both short-term and long-term borrowings. Our financings may include repurchase agreement borrowings with terms of one year or less, or longer term structured debt financing, such as longer-term repurchase agreement financing and securitized debt where the assets we intend to finance are contributed to an SPE and serve as collateral for the financing. We engage in longer-term financings for the primary purpose of obtaining longer-term non-recourse financing on these assets. As of December 31, 2016 , our multi-family CMBS amounting to approximately $397.8 million and distressed residential mortgage loans amounting to approximately $475.2 million are financed, in part, by some form of repurchase agreement borrowing or securitized debt.

Pursuant to the terms of our long-term debt financings, our ability to access the cash flows generated by the assets serving as collateral for these borrowings may be significantly limited and we may be unable to sell or otherwise transfer or dispose of or modify such assets until the financing has matured. As part of each of our securitized debt financings and longer-term master repurchase agreements we are currently party to, we have provided a guarantee with respect to certain terms of some of these longer-term borrowings incurred by certain of our subsidiaries and we may provide similar guarantees in connection with future financings.

For more information regarding our outstanding borrowings and debt instruments at December 31, 2016 , see Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report.

Our Hedging Strategy

The Company enters into derivative instruments in connection with its risk management activities. These derivative instruments may include interest rate swaps, swaptions, futures, put and call options on futures and mortgage derivatives such as forward-settling purchases and sales of Agency RMBS where the underlying pools of mortgage loans are "To-Be-Announced," or TBAs.

In connection with our investment in Agency IOs, we utilize several types of derivative instruments such as interest rate swaps, futures, put and call options on futures and TBAs to hedge interest rate risk and spread risk. For example, we utilize TBAs to hedge the interest rate and spread risk inherent in our Agency fixed rate RMBS, including certain of our Agency IOs that are backed by Agency fixed rate RMBS. In a TBA transaction, we would agree to purchase or sell, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered is not identified until shortly before the TBA settlement date. The Company typically does not take delivery of TBAs, but rather settles with its trading counterparties on a net basis prior to the forward settlement date. By utilizing TBA transactions, we attempt to reduce changes in portfolio values due to changes in interest rates. Although TBAs are liquid and have quoted market prices and represent the most actively traded class of RMBS, the use of TBAs exposes us to increased market value risk. We typically conduct TBA and other interest rate futures hedging transactions through one of our TRSs.

We also use interest rate swaps (separately from the interest rate swaps we use in connection with our Agency IO portfolio) to hedge variable cash flows associated with borrowings made under our financing arrangements and Residential CDOs. We typically pay a fixed rate and receive a floating rate based on one month LIBOR, on the notional amount of the interest rate swaps. The floating rate we receive under our swap agreements has the effect of offsetting the repricing characteristics and cash flows of our financing arrangements.

In connection with our hedging strategy, we, together with our external managers, utilize a model based risk analysis system to assist in projecting portfolio performances over a variety of different interest rates and market scenarios, such as shifts in interest rates, changes in prepayments and other factors impacting the valuations of our assets and liabilities. However, given the uncertainties related to prepayment rates, it is not possible to perfectly lock-in a spread between the earnings asset yield and the related cost of borrowings. Moreover, the cash flows and market values of certain types of structured Agency RMBS, such as the IOs we invest in, are more sensitive to prepayment risks than other Agency RMBS. Nonetheless, through active management and the use of evaluative stress scenarios, we believe that we can mitigate a significant amount of both value and earnings volatility.

Our External Managers

The Midway Group, L.P.

A portion of our Agency RMBS portfolio comprised of Agency IOs is externally managed and advised by Midway pursuant to an investment management agreement between Midway and us (as amended, the "Midway Management Agreement"). Midway was founded in 2000 by Mr. Robert Sherak, a mortgage industry veteran with more than 25 years' experience, to serve as investment manager to the Midway Market Neutral Fund LLC, a private investment fund. Midway has been managing a hedged portfolio of mortgage-related securities for over 15 years.

Midway is responsible for administering the business activities and day-to-day operations of our investments in Agency IOs, and certain derivative instruments. Midway also may invest from time to time in, among other things, Agency RMBS consisting of pass-through certificates, CMOs, and POs and non-Agency RMBS (which may include IOs and POs). As part of its investment process, we expect that Midway will analyze significant amounts of data regarding the historical performance of mortgage-related securities transactions and collateral over various market cycles.

Midway has established portfolio management resources for the investment assets described above and an established infrastructure supporting those resources. We believe Midway has developed strong relationships with a wide range of dealers and other market participants that provide Midway access to a broad range of trading opportunities and market information.

As of December 31, 2016 , we had allocated approximately $76.9 million of capital to investments managed by Midway.

The Midway Management Agreement

We entered into an investment management agreement with Midway on February 11, 2011, as amended on March 9, 2012 and April 1, 2014. The Midway Management Agreement currently operates under a one-year term that is automatically renewed for successive one-year terms unless a termination notice is delivered by either party to the other party at least six months prior to the end of the then current term. Pursuant to the Midway Management Agreement, Midway implements our Agency IO investment strategy and related hedging and borrowing activities and has complete discretion and authority to manage these assets and related hedging and borrowing activities, subject to compliance with the written investment guidelines included in the Midway Management Agreement and the other terms and conditions of the Midway Management Agreement, including our authority to direct Midway to modify its investment strategy for purposes of maintaining our qualification as a REIT and exemption from the Investment Company Act.

Pursuant to the terms of the Midway Management Agreement, Midway receives a base management fee payable monthly in arrears in a cash amount equal to (i) 1.50% per annum of our invested capital in the assets managed by Midway as of the last business day of the previous month, multiplied by (ii) 1/12th. In addition, Midway is entitled to a quarterly incentive fee (the "Midway Incentive Fee") that is calculated quarterly and paid quarterly in arrears. The Midway Incentive Fee is subject to a high water mark equal to an 11% return on our invested capital in assets managed by Midway (the “High Water Mark”), and is payable in an amount equal to the excess, if any, of 35% of the dollar amount by which adjusted net income (as defined below) attributable to the assets managed by Midway, on a quarterly basis and before accounting for the Midway Incentive Fee, exceeds an annual 12.5% rate of return on invested capital (the “Hurdle Rate”), after adjusting for any carried over shortfall from previous quarters. The return rate for each quarter (the “Calculation Period”) is determined by dividing (i) the adjusted net income for the Calculation Period by (ii) the weighted average of our invested capital in assets managed by Midway during the Calculation Period. Upon mutual agreement of the parties to the Midway Management Agreement, a portion of each Midway Incentive Fee payable to Midway may be paid in shares of our common stock. For the purpose of the Midway Management Agreement, adjusted net income is defined as net income (loss) calculated in accordance with generally accepted accounting principles in the United States (“GAAP”), including any unrealized gains and losses, after giving effect to certain expenses. All securities managed for us by Midway are valued in accordance with GAAP. Unlike the Hurdle Rate, which is calculated on a three month basis, the High Water Mark is calculated on a calendar 12 month basis and resets every 24 months. The High Water Mark is a static dollar figure that Midway is required to recoup, to the extent there is a deficit in the prior High Water Mark calculation period, before it is eligible again to receive a Midway Incentive Fee.

In addition to the base management and incentive fees provided for in the Midway Management Agreement, we issued 213,980 shares of restricted stock to Midway in March 2012 that vested annually in one-third increments beginning on December 31, 2012. All of the restricted shares issued to Midway had vested in full as of December 31, 2014. We also reimburse Midway for all transaction costs and expenses incurred in connection with the management and administration of the assets and liabilities that they manage on our behalf.

Although the assets and invested capital managed by Midway are held in an account that is wholly owned by our company, we may only redeem invested capital in an amount equal to the lesser of 10% of our invested capital managed by Midway or $10 million as of the last calendar day of the month upon not less than 75 days written notice, subject to our authority to direct Midway to modify its investment strategy for purposes of maintaining our qualification as a REIT and exemption from the Investment Company Act. Pursuant to the terms of the Midway Management Agreement, we are only permitted to make one such redemption request in any 75-day period.

Headlands Asset Management LLC

We engaged Headlands to manage and advise us with respect to the distressed residential mortgage loans that we acquire. Headlands sources and performs due-diligence procedures on the pools of distressed residential mortgage loans that we acquire and manages the servicing, modification and final disposition or resolution of the loans, which can range from modifying a mortgage loan balance, interest rate or payment to selling the underlying loan or the real estate asset.

Headlands was founded on May 2008 as an investment manager focused on purchasing, servicing and managing all aspects of a portfolio of residential mortgage loans.

Headlands Management Agreement

On November 2, 2016, we entered into a management agreement with Headlands (the "Headlands Management Agreement"), which became effective as of July 1, 2016 (the "Effective Date") and replaces our prior arrangement with Headlands. Pursuant to the terms of the Headlands Management Agreement, Headlands receives a monthly base management fee in arrears in a cash amount equal to the product of (i) 1.50% per annum of “Equity” as of the last business day of the previous month, multiplied by (ii) 1/12th, where Equity is defined as “Assets” minus “Debt,” Assets is defined as the aggregate net carrying value (in accordance with GAAP) of those assets of our Company managed by Headlands (specifically excluding (i) any unrealized gains or losses that have impacted net carrying value as reported in our financial statements prepared in accordance with GAAP, regardless of whether such items are included in other comprehensive income or loss or in net income, and (ii) one-time events pursuant to changes in GAAP, (iii) impairment reserves recorded but not realized (if not included in unrealized gains or losses) and (iv) certain non-cash items not otherwise described above, in each case, as mutually agreed between Headlands and us) and Debt is defined as the greater of (1) the net carrying value (in accordance with GAAP, excluding adjustments for unrealized gains or losses) of all third-party debt or liabilities secured by the Assets and (2) prior to termination of the Headlands Management Agreement, zero. Previously, the base management fee had been calculated based on assets under management.

In addition, Headlands is entitled to an incentive fee that is calculated quarterly and paid in cash in arrears. The incentive fee is based upon the average Equity during the fiscal quarter, subject to a high water mark equal to a 5% return on Equity, and shall be payable in an amount equal to 35% of the dollar amount by which adjusted net income (as defined in the Headlands Management Agreement) attributable to the Assets, before accounting for any incentive fees payable to Headlands, exceeds an annualized 12% rate of return on Equity. With respect to the fourth fiscal quarter of each calendar 12-month period during the term of the Headlands Management Agreement, the incentive fee will be payable in an amount equal to the excess, if any, of the amount by which the incentive fee earned during the calendar 12-month period exceeds the total incentive fees paid for the first three quarters of such calendar 12-month period. If incentive fees paid during the first three quarters exceed the amount earned on an annual basis, the excess incentive fee paid will be considered prepaid incentive fee and will be deducted from future incentive fees owed to Headlands.

The Headlands Management Agreement has an initial term that will expire on the first anniversary of the Effective Date and thereafter will be automatically extended for additional one year terms unless either party delivers written notice to the other party at least 180 days prior to the end of the then-applicable term. Each of the parties has certain other customary termination rights. Neither Headlands nor we will incur a termination fee upon termination of the Headlands Management Agreement. In certain cases, if we terminate the Headlands Management Agreement, Headlands has, subject to certain conditions, a right of first refusal to purchase the Assets under management at the time of termination.

Prior to July 1, 2016, Headlands received a monthly base management fee equal to 1.5% of assets under management.

Conflicts of Interest with Our External Managers; Equitable Allocation of Opportunities

Each of Midway and Headlands manages, and is expected to continue to manage, other client accounts with similar or overlapping investment strategies. In connection with the services provided to those accounts, these managers may be compensated more favorably than for the services provided under our external management agreements, and such discrepancies in compensation may affect the level of service provided to us by our external managers. Moreover, each of our external managers may have an economic interest in the accounts they manage or the investments they propose. In addition, we have in the past engaged in certain co-investment opportunities with an external manager or one of its affiliates and we may participate in future co-investment opportunities with our external managers or their affiliates. In these cases, it is possible that our interests and the interests of our external managers will not always be aligned and this could result in decisions that are not in the best interests of our company.

Midway has agreed that, when making investment allocation decisions between us and its other client accounts, it will seek to allocate investment opportunities on an equitable basis and in a manner it believes is in the best interests of its relevant accounts. Since certain of the assets that Midway manages on our behave are typically available only in specified quantities and since certain of these assets will also be targeted by other accounts managed by or associated with Midway, Midway may not be able to buy as much of certain assets as required to satisfy the needs of all of its clients' or associated accounts. In these cases, we understand that the allocation procedures and policies of Midway would typically allocate such assets to multiple accounts in proportion to, among other things, the objectives, strategy, and stage of development or needs of each account. Moreover, the investment allocation policies of Midway may permit departure from proportional allocation when the total allocation would result in an inefficiently small amount of the security being purchased for an account. Although we believe that Midway will seek to allocate investment opportunities in a manner which it believes to be in the best interests of all accounts involved and will seek to allocate, on an equitable basis, investment opportunities believed to be appropriate for us and the other accounts it manages or is associated with, there can be no assurance that a particular investment opportunity will be allocated in any particular manner.

Midway is authorized to follow broad investment guidelines in determining which assets it will invest in. Although our Board of Directors will ultimately determine when and how much capital to allocate to assets managed by Midway, we generally will not approve transactions in advance of their execution. As a result, because Midway has great latitude to determine the types of assets it may decide are proper investments for us, there can be no assurance that we would otherwise approve of these investments individually or that they will be successful. In addition to conducting periodic reviews, we will rely primarily on information provided to us by our external managers. Finally, our external managers may use complex investment strategies and may engage in complex transactions on our behalf which may be difficult or impossible to unwind.

Pursuant to the terms of the Midway Management Agreement, we may only redeem invested capital in an amount equal to the lesser of 10% of the invested capital in assets managed by Midway or $10 million as of the last calendar day of the month upon not less than 75 days written notice, subject to our authority to direct Midway to modify its investment strategy for purposes of maintaining our qualification as a REIT and exemption from the Investment Company Act, and we are only permitted to make one such redemption request in any 75-day period. In the event of a significant market event or shock, we may be unable to effect a redemption of invested capital in greater amounts or at a greater rate unless we obtain the consent of Midway. Because a reduction of invested capital would reduce the base management fee under the Midway Management Agreement, Midway may be less inclined to consent to such redemptions.

None of our external managers is obligated to dedicate any specific personnel exclusively to us, nor are they or their personnel obligated to dedicate any specific portion of their time to the management of our business. As a result, we cannot provide any assurances regarding the amount of time our external managers will dedicate to the management of our business. Moreover, each of our external managers has significant responsibilities for other investment vehicles and may not always be able to devote sufficient time to the management of our business. Consequently, we may not receive the level of support and assistance that we otherwise might receive if such services were provided internally by us.

Certain Federal Income Tax Considerations and Our Status as a REIT

We have elected to be taxed as a REIT under Sections 856-860 of the Internal Revenue Code for federal income tax purposes, commencing with our taxable year ended December 31, 2004, and we believe that our current and proposed method of operation will enable us to continue to qualify as a REIT for our taxable year ending December 31, 2017 and thereafter. Accordingly, the net income we earn on our assets is generally not subject to federal income tax to the extent we distribute such income to our stockholders each year (subject to a minimum distribution requirement of 90% of our taxable income) and comply with various other requirements. Taxable income generated by TRSs is subject to regular corporate income tax.

The benefit of REIT tax status is a tax treatment that avoids “double taxation,” or taxation at both the corporate and stockholder levels, that generally applies to distributions by a corporation to its stockholders. Failure to qualify as a REIT would subject us to federal income tax (including any applicable minimum tax) on our taxable income at regular corporate rates and distributions to our stockholders would not be deductible by us.

Summary Requirements for Qualification

Organizational Requirements

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

1) It is managed by one or more trustees or directors.

2) Its beneficial ownership is evidenced by transferable shares, or by transferable certificates of beneficial interest.

3) It would be taxable as a domestic corporation, but for the REIT provisions of the federal income tax laws.

4) It is neither a financial institution nor an insurance company subject to special provisions of the federal income tax laws.

5) At least 100 persons are beneficial owners of its shares or ownership certificates.

6) Not more than 50% in value of its outstanding shares or ownership certificates is owned, directly or indirectly, by five or fewer individuals, which the federal income tax laws define to include certain entities, during the last half of any taxable year.

7) It elects to be a REIT, or has made such election for a previous taxable year, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT status.

8) It meets certain other qualification tests, described below, regarding the nature of its income and assets.

9) It uses a calendar year for federal income tax purposes and complies with the record keeping requirements of the federal income tax laws.

We must meet requirements 1 through 4 and 7 through 9 during our entire taxable year, requirement 5 during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months, and requirement 6 during the last half of our taxable year.

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

Taxable REIT Subsidiaries . A REIT is permitted to own up to 100% of the stock of one or more TRSs. A TRS is a fully taxable corporation that may earn income that would not be qualifying income if earned directly by the parent REIT. Overall, no more than 25% (20% for taxable years beginning after December 31, 2017) of the value of a REIT’s assets may consist of stock or securities of one or more TRSs.

A TRS will pay income tax at regular corporate rates on any income that it earns. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. Our TRSs are subject to corporate income tax on their taxable income.

Qualified REIT Assets . On the last day of each calendar quarter, at least 75% of the value of our assets (which includes any assets held through a QRS) must consist of qualified REIT assets — primarily real estate, mortgage loans secured by real estate, and certain mortgage-backed securities (“Qualified REIT Assets”), government securities, cash, and cash items. We believe that substantially all of our assets are and will continue to be Qualified REIT Assets. On the last day of each calendar quarter, of the assets not included in the foregoing 75% asset test, the value of securities that we hold issued by any one issuer may not exceed 5% in value of our total assets and we may not own more than 10% of the voting power or value of any one issuer’s outstanding securities (with an exception for securities of a QRS or of a TRS). In addition, the aggregate value of our securities in TRSs cannot exceed 25% (20% for taxable years beginning after December 31, 2017) of our total assets, and no more than 25% of the value of our total assets may consist of debt instruments of "publicly offered REITs" (i.e., REITs that are required to file annual and periodic reports with the SEC pursuant to the Securities Exchange Act of 1934, as amended, or the Exchange Act). We monitor the purchase and holding of our assets for purposes of the above asset tests and seek to manage our portfolio to comply at all times with such tests.

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

Gross Income Tests

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

1. The 75% Gross Income Test. At least 75% of our gross income for the taxable year must be derived from Qualified REIT Assets. Such income includes interest (other than interest based in whole or in part on the income or profits of any person) on obligations secured by mortgages on real property, rents from real property, gains from the sale of Qualified REIT Assets, and qualified temporary investment income or interests in real property. The investments that we have made and intend to continue to make will give rise primarily to mortgage interest qualifying under the 75% income test.

2. The 95% Gross Income Test. At least 95% of our gross income for the taxable year must be derived from the sources that are qualifying for purposes of the 75% test, and from dividends, interest or gains from the sale or disposition of stock or other assets that are not dealer property.

Distributions

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

Competition

Our success depends, in large part, on our ability to acquire assets at favorable spreads over our borrowing costs. When we invest in mortgage-backed securities, mortgage loans and other investment assets, we compete with other REITs, investment banking firms, savings and loan associations, insurance companies, mutual funds, hedge funds, pension funds, banks and other financial institutions and other entities that invest in the same types of assets.

Corporate Offices and Personnel

We were formed as a Maryland corporation in 2003. Our corporate headquarters are located at 275 Madison Avenue, Suite 3200, New York, New York, 10016 and our telephone number is (212) 792-0107. As of December 31, 2016 , we employed 19 full-time employees.

Access to our Periodic SEC Reports and Other Corporate Information

Our internet website address is www.nymtrust.com. We make available free of charge, through our internet website, our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and any amendments thereto that we file or furnish pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our Corporate Governance Guidelines and Code of Business Conduct and Ethics and the charters of our Audit, Compensation and Nominating and Corporate Governance Committees are also available on our website and are available in print to any stockholder upon request in writing to New York Mortgage Trust, Inc., c/o Secretary, 275 Madison Avenue, Suite 3200, New York, New York, 10016. Information on our website is neither part of, nor incorporated into, this Annual Report on Form 10-K.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

Item 1A. *RISK FACTORS*

Set forth below are the risks that we believe are material to stockholders and prospective investors. You should carefully consider the following risk factors and the various other factors identified in or incorporated by reference into any other documents filed by us with the SEC in evaluating our company and our business. The risks discussed herein can adversely affect our business, liquidity, operating results, prospects and financial condition. These risks could cause the market price of our securities to decline. The risk factors described below are not the only risks that may affect us. Additional risks and uncertainties not presently known to us, or not presently deemed material by us, also may adversely affect our business, liquidity, operating results, prospects and financial condition.

Risks Related to Our Business and Our Company

Declines in the market values of assets in our investment portfolio may adversely affect periodic reported results and credit availability, which may reduce earnings and, in turn, cash available for distribution to our stockholders.

The market value of the interest-bearing assets in which we invest and any related hedging instruments may move inversely with changes in interest rates. We anticipate that increases in interest rates will generally tend to decrease our net income and the market value of our interest-bearing assets. A significant percentage of the securities within our investment portfolio are classified for accounting purposes as "available for sale." Changes in the market values of trading securities will be reflected in earnings and changes in the market values of available for sale securities will be reflected in stockholders' equity. As a result, a decline in market values of certain of our investment securities may reduce the book value of our assets. Moreover, if the decline in market value of an available for sale security is other than temporary, such decline will reduce earnings.

A decline in the market value of our interest-bearing assets may adversely affect us, particularly in instances where we have borrowed money based on the market value of those assets. If the market value of those assets declines, the lender may require us to post additional collateral to support the loan, which would reduce our liquidity and limit our ability to leverage our assets. In addition, if we are, or anticipate being, unable to post the additional collateral, we would have to sell the assets at a time when we might not otherwise choose to do so. In the event that we do not have sufficient liquidity to meet such requirements, lending institutions may accelerate indebtedness, increase interest rates and terminate our ability to borrow, any of which could result in a rapid deterioration of our financial condition and cash available for distribution to our stockholders. Moreover, if we liquidate the assets at prices lower than the amortized cost of such assets, we will incur losses.

The market values of our investments may also decline without any general increase in interest rates for a number of reasons, such as increases in defaults, actual or perceived increases in voluntary prepayments for those investments that we have that are subject to prepayment risk, and widening of credit spreads. If the market values of our investments were to decline for any reason, the value of your investment could also decline.

Difficult conditions in the mortgage and real estate markets, the financial markets and the economy generally have caused and may cause us to experience losses and these conditions may persist for the foreseeable future.

Our business is materially affected by conditions in the residential and commercial mortgage markets, the residential and commercial real estate markets, the financial markets and the economy generally. Furthermore, because a significant portion of our current assets and our targeted assets are credit sensitive, we believe the risks associated with our investments will be more acute during periods of economic slowdown, recession or market dislocations, especially if these periods are accompanied by declining real estate values and defaults. In recent years, concerns about the health of the global economy generally and the residential and commercial mortgage markets specifically, as well as inflation, energy costs, European sovereign debt, U.S. budget debates and geopolitical issues and the availability and cost of credit have contributed to increased volatility and uncertainty for the economy and financial markets. The residential and commercial mortgage markets were adversely affected by changes in the lending landscape during the financial market crisis of 2008, the severity of which was largely unanticipated by the markets, and there is no assurance that these markets will not worsen again.

In addition, an economic slowdown, delayed recovery or general disruption in the mortgage markets may result in decreased demand for residential and commercial property, which would likely further compress homeownership rates and place additional pressure on home price performance, while forcing commercial property owners to lower rents on properties with excess supply. We believe there is a strong correlation between home price growth rates and mortgage loan delinquencies. Moreover, to the extent that a property owner has fewer tenants or receives lower rents, such property owners will generate less cash flow on their properties, which reduces the value of their property and increases significantly the likelihood that such property owners will default on their debt service obligations. If the borrowers of our mortgage loans, or the loans underlying certain of our investment securities, default, we may incur material losses on those loans or investment securities. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect both our net interest income and our ability to acquire our targeted assets in the future on favorable terms or at all. The further deterioration of the mortgage markets, the residential or commercial real estate markets, the financial markets and the economy generally may result in a decline in the market value of our investments or cause us to experience losses related to our assets, which may adversely affect our results of operations, the availability and cost of credit and our ability to make distributions to our stockholders.

An increase in interest rates may cause a decrease in the availability of certain of our targeted assets, which could adversely affect our ability to acquire targeted assets that satisfy our investment objectives and to generate income and pay dividends.

Rising interest rates generally reduce the demand for mortgage loans due to the higher cost of borrowing. A reduction in the volume of mortgage loans originated may affect the volume of targeted assets available to us, which could adversely affect our ability to acquire assets that satisfy our investment and business objectives. Rising interest rates may also cause our targeted assets that were issued or originated prior to an interest rate increase to provide yields that are below prevailing market interest rates. If rising interest rates cause us to be unable to acquire a sufficient volume of our targeted assets with a yield that is above our borrowing cost, our ability to satisfy our investment objectives and to generate income and pay dividends may be materially and adversely affected.

In addition, the RMBS and residential mortgage loans we invest in may be comprised of ARMs that are subject to periodic and lifetime interest rate caps. Periodic interest rate caps limit the amount an interest rate can increase during any given period. Lifetime interest rate caps limit the amount an interest rate can increase over the life of the security or loan. Our borrowings typically are not subject to similar restrictions. Accordingly, in a period of rapidly increasing interest rates, the interest rates paid on our borrowings could increase without limitation while interest rate caps could limit the interest rates on the Agency ARMs or residential mortgage loans comprised of ARMs in our portfolio. This problem is magnified for securities backed by, or residential mortgage loans comprised of, ARMs and hybrid ARMs that are not fully indexed. Further, certain securities backed by, or residential mortgage loans comprised of, ARMs and hybrid ARMs may be subject to periodic payment caps that result in a portion of the interest being deferred and added to the principal outstanding. As a result, the payments we receive on Agency ARMs backed by, or residential mortgage loans comprised of, ARMs and hybrid ARMs may be lower than the related debt service costs. These factors could have a material adverse effect on our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Interest rate fluctuations will also cause variances in the yield curve, which may reduce our net income. The relationship between short-term and longer-term interest rates is often referred to as the “yield curve.” If short-term interest rates rise disproportionately relative to longer-term interest rates (a flattening of the yield curve), our borrowing costs may increase more rapidly than the interest income earned on our interest-earning assets. For example, because the Agency RMBS in our investment portfolio typically bear interest based on longer-term rates while our borrowings typically bear interest based on short-term rates, a flattening of the yield curve would tend to decrease our net income and the market value of these securities. Additionally, to the extent cash flows from investments that return scheduled and unscheduled principal are reinvested, the spread between the yields of the new investments and available borrowing rates may decline, which would likely decrease our net income. It is also possible that short-term interest rates may exceed longer-term interest rates (a yield curve inversion), in which event our borrowing costs may exceed our interest income and we could incur significant operating losses.

Prepayment rates can change, adversely affecting the performance of our assets.

The frequency at which prepayments (including both voluntary prepayments by the borrowers and liquidations due to defaults and foreclosures) occur on the residential mortgage loans we own and those that underlie our RMBS is difficult to predict and is affected by a variety of factors, including the prevailing level of interest rates as well as economic, demographic, tax, social, legal, legislative and other factors. Generally, borrowers tend to prepay their mortgages when prevailing mortgage rates fall below the interest rates on their mortgage loans.

In general, "premium" securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster-than-anticipated prepayments because the above-market coupon that such premium securities carry will be earned for a shorter period of time. Generally, "discount" securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower-than-anticipated prepayments. Since many RMBS will be discount securities when interest rates are high, and will be premium securities when interest rates are low, these RMBS may be adversely affected by changes in prepayments in any interest rate environment. Although we estimate prepayment rates to determine the effective yield of our assets and valuations, these estimates are not precise and prepayment rates do not necessarily change in a predictable manner as a function of interest rate changes.

The adverse effects of prepayments may impact us in various ways. First, particular investments, such as IOs, may experience outright losses in an environment of faster actual or anticipated prepayments. Second, particular investments may under-perform relative to any hedges that we may have constructed for these assets, resulting in a loss to us. In particular, prepayments (at par) may limit the potential upside of many RMBS to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss. Furthermore, to the extent that faster prepayment rates are due to lower interest rates, the principal payments received from prepayments will tend to be reinvested in lower-yielding assets, which may reduce our income in the long run. Therefore, if actual prepayment rates differ from anticipated prepayment rates, our business, financial condition and results of operations and ability to make distributions to our stockholders could be materially adversely affected.

Some of the commercial real estate loans we may originate or invest in may allow the borrower to make prepayments without incurring a prepayment penalty and some may include provisions allowing the borrower to extend the term of the loan beyond the originally scheduled maturity. Because the decision to prepay or extend a commercial loan is typically controlled by the borrower, we may not accurately anticipate the timing of these events, which could affect the earnings and cash flows we anticipate and could impact our ability to finance these assets.

Increased levels of prepayments on the mortgages underlying structured mortgage-backed securities, particularly IOs, might decrease net interest income or result in a net loss, which could materially adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

When we acquire structured mortgage-backed securities, such as IOs, we anticipate that the underlying mortgages will prepay at a projected rate, generating an expected yield. When the prepayment rates on the mortgages underlying these securities are higher than expected, our returns on those securities may be materially adversely affected. For example, the value of our Agency IOs is extremely sensitive to prepayments because holders of these securities do not have the right to receive any principal payments on the underlying mortgages. As a result, increased levels of prepayments on our Agency IOs will negatively impact our net interest income and may result in a loss.

Interest rate mismatches between the interest-earning assets held in our investment portfolio and the borrowings used to fund the purchases of those assets may reduce our net income or result in a loss during periods of changing interest rates.

Certain of the assets held in our investment portfolio have a fixed coupon rate, generally for a significant period, and in some cases, for the average maturity of the asset. At the same time, our repurchase agreements and certain other borrowings typically provide for a payment reset period of 30 days or less. In addition, the average maturity of our borrowings generally will be shorter than the average maturity of the assets currently in our portfolio and certain other targeted assets in which we seek to invest. Historically, we have used swap agreements as a means for attempting to fix the cost of certain of our liabilities over a period of time; however, these agreements will generally not be sufficient to match the cost of all our liabilities against all of our investments. In the event we experience unexpectedly high or low prepayment rates on RMBS or other assets, our strategy for matching our assets with our liabilities is more likely to be unsuccessful which may result in reduced earnings or losses and reduced cash available for distribution to our stockholders.

Our investments include high yield or subordinated and lower rated securities that have greater risks of loss than other investments, which could adversely affect our business, financial condition and cash available for dividends.

We own and seek to acquire higher yielding or subordinated or lower rated securities, including subordinated tranches of CMBS or non-Agency RMBS, which involve a higher degree of risk than other investments. Numerous factors may affect a company's ability to repay its high yield or subordinated securities, including the failure to meet its business plan, a downturn in its industry or negative economic conditions. These assets may not be secured by mortgages or liens on assets. Our right to payment and security interest with respect to such assets may be subordinated to the payment rights and security interests of the senior lender. Therefore, we may be limited in our ability to enforce our rights to collect on these assets through a foreclosure of collateral.

Our direct and indirect investments in multi-family and other commercial properties are subject to the ability of the property owner to generate net income from operating the property as well as the risks of delinquency and foreclosure.

Our direct and indirect investments in multi-family or other commercial property are subject to risks of delinquency and foreclosure on the properties that underlie or back these investments, and risk of loss that may be greater than similar risks associated with loans made on the security of single-family residential property. The ability of a borrower to repay a loan or obligation secured by, or an equity interest in an entity that owns, an income-producing property typically is dependent primarily upon the successful operation of such property. If the net operating income of the subject property is reduced, the borrower's ability to repay the loan, or our ability to receive adequate returns on our investment, may be impaired. Net operating income of an income-producing property can be adversely affected by, among other things:

- tenant mix;
- success of tenant businesses;
- property management decisions;
- property location, condition, and design;
- new construction of competitive properties;
- changes in laws that increase operating expenses or limit rents that may be charged;
- changes in national, regional or local economic conditions and/or specific industry segments, including the labor, credit and securitization markets;
- declines in regional or local real estate values;
- declines in regional or local rental or occupancy rates;
- increases in interest rates, real estate tax rates, and other operating expenses;
- costs of remediation and liabilities associated with environmental conditions;
- the potential for uninsured or underinsured property losses;
- changes in governmental laws and regulations, including fiscal policies, zoning ordinances and environmental legislation and the related costs of compliance; and
- acts of God, terrorist attacks, social unrest, and civil disturbances.

In the event of any default under a mortgage loan held directly by us, we will bear a risk of loss to the extent of any deficiency between the value of the collateral and the outstanding principal and accrued interest of the mortgage loan, and any such losses could have a material adverse effect on our cash flow from operations and our ability to make distributions to our stockholders. Similarly, the CMBS, mezzanine loans and preferred equity and joint venture equity investments we own will be adversely affected by a default on any of the loans that underlie those securities or that are secured by the related property. See "—We invest in CMBS that are subordinate to more senior securities issued by the applicable securitization, which entails certain risks."

In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process, which could have a substantial negative effect on our anticipated return on the foreclosed mortgage loan.

The preferred equity investments or mezzanine loan assets that we may acquire or originate will involve greater risks of loss than senior loans secured by income-producing properties.

We may acquire or originate mezzanine loans, which take the form of subordinated loans secured by second mortgages on the underlying property or loans secured by a pledge of the ownership interests of either the entity owning the property or a pledge of the ownership interests of the entity that owns the interest in the entity owning the property. We also may make preferred equity investments in the entity that owns the property. These types of assets involve a higher degree of risk than long-term senior mortgage lending secured by income-producing real property, because the loan may become unsecured or our equity investment may be effectively extinguished as a result of foreclosure by the senior lender. In addition, mezzanine loans and preferred equity investments are often used to achieve a very high leverage on large commercial projects, resulting in less equity in the property and increasing the risk of loss of principal or investment. If a borrower defaults on our mezzanine loan or debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan or preferred equity investment will be satisfied only after the senior debt, in case of a mezzanine loan, or all senior and subordinated debt, in case of a preferred equity investment, is paid in full. Where senior debt exists, the presence of intercreditor arrangements may limit our ability to amend our loan documents, assign our loans, accept prepayments, exercise our remedies or control decisions made in bankruptcy proceedings relating to borrowers or preferred equity investors. As a result, we may not recover some or all of our investment, which could result in significant losses.

To the extent that due diligence is conducted on potential assets, such due diligence may not reveal all of the risks associated with such assets and may not reveal other weaknesses in such assets, which could lead to losses.

Before acquiring certain assets, such as whole mortgage loans, CMBS, or other mortgage-related or fixed income assets, we or the external manager responsible for the acquisition and management of such asset may decide to conduct (either directly or using third parties) certain due diligence. Such due diligence may include (i) an assessment of the strengths and weaknesses of the asset's credit profile, (ii) a review of all or merely a subset of the documentation related to the asset, or (iii) other reviews that we or the external manager may deem appropriate to conduct. There can be no assurance that we or the external manager will conduct any specific level of due diligence, or that, among other things, the due diligence process will uncover all relevant facts or that any purchase will be successful, which could result in losses on these assets, which, in turn, could adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Our real estate assets are subject to risks particular to real property.

We own real estate and assets secured by real estate, and may in the future acquire more real estate, either through direct or indirect investments or upon a default of mortgage loans. Real estate assets are subject to various risks, including:

- acts of God, including earthquakes, floods and other natural disasters, which may result in uninsured losses;
- acts of war or terrorism, including the consequences of terrorist attacks, such as those that occurred on September 11, 2001;
- adverse changes in national and local economic and market conditions; and
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances.

The occurrence of any of the foregoing or similar events may reduce our return from an affected property or asset and, consequently, materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

The lack of liquidity in certain of our assets may adversely affect our business.

A portion of the securities or loans we own or acquire may be subject to legal, contractual and other restrictions on resale or will otherwise be less liquid than publicly-traded securities. For example, certain of our multi-family CMBS is held in a securitization trust and may not be sold or transferred until the note issued by the securitization trust matures or is repaid. The illiquidity of certain of our assets may make it difficult for us to sell such assets if the need or desire arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our assets. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited, which could adversely affect our results of operations and financial condition.

Our Level 2 portfolio investments are recorded at fair value based on market quotations from pricing services and brokers/dealers. Our Level 3 investments are recorded at fair value utilizing internal valuation models. The value of our common stock could be adversely affected if our determinations regarding the fair value of these investments were materially higher than the values that we ultimately realize upon their disposal.

All of our current portfolio investments are, and some of our future portfolio investments will be, in the form of securities or other investments that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable. We currently value and will continue to value these investments on a quarterly-basis at fair value as determined by our management based on market quotations from pricing services and brokers/dealers and/or internal valuation models. Because such quotations and valuations are inherently uncertain, they may fluctuate over short periods of time and are based on estimates, our determinations of fair value may differ materially from the values that would have been used if a public market for these securities existed. The value of our common stock could be adversely affected if our determinations regarding the fair value of these investments were materially higher than the values that we ultimately realize upon their disposal.

Our adoption of fair value option accounting could result in income statement volatility, which in turn, could cause significant market price and trading volume fluctuations for our securities.

We have determined that certain securitization trusts that issued certain of our multi-family CMBS or securitized debt are VIEs of which we are the primary beneficiary, and elected the fair value option on the assets and liabilities held within those securitization trusts. As a result, we are required to consolidate the underlying multi-family loan or securities, as applicable, related debt, interest income and interest expense of those securitization trusts in our financial statements, although our actual investments in these securitization trusts generally represent a small percentage of the total assets of the trusts. Prior to the year ended December 31, 2012, we historically accounted for the multi-family CMBS in our investment portfolio through accumulated other comprehensive income, pursuant to which unrealized gains and losses on those multi-family CMBS were reflected as an adjustment to stockholders' equity. However, the fair value option requires that changes in valuations in the assets and liabilities of those VIEs of which we are the primary beneficiary, such as the Consolidated K-Series, be reflected through our earnings. As we acquire additional multi-family CMBS assets in the future that are similar in structure and form to the Consolidated K-Series' assets or securitize investment securities owned by us, we may be required to consolidate the assets and liabilities of the issuing or securitization trust and would expect to elect the fair value option for those assets. Because of this, our earnings may experience greater volatility in the future as a decline in the fair value of the assets of any VIE that we consolidate in our financial statements could reduce both our earnings and stockholders' equity, which in turn, could cause significant market price and trading volume fluctuations for our securities.

Competition may prevent us from acquiring assets on favorable terms or at all, which could have a material adverse effect on our business, financial condition and results of operations.

We operate in a highly competitive market for investment opportunities. Our net income largely depends on our ability to acquire our targeted assets at favorable spreads over our borrowing costs. In acquiring our targeted assets, we compete with other REITs, investment banking firms, savings and loan associations, banks, insurance companies, mutual funds, other lenders and other entities that purchase mortgage-related assets, many of which have greater financial resources than us. Additionally, many of our potential competitors are not subject to REIT tax compliance or required to maintain an exclusion from the Investment Company Act. As a result, we may not in the future be able to acquire sufficient quantities of our targeted assets at favorable spreads over our borrowing costs, which could have a material adverse effect on our business, financial condition, results of operations and ability to make distributions to our stockholders.

We may change our investment strategy, hedging strategy and asset allocation and operational and management policies without stockholder consent, which may result in the purchase of riskier assets and materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

We may change our investment strategy, hedging strategy and asset allocation and operational and management policies at any time without the consent of our stockholders, which could result in our purchasing assets or entering into hedging transactions that are different from, and possibly riskier than, the assets and hedging transactions described in this report. A change in our investment strategy or hedging strategy may increase our exposure to real estate values, interest rates, prepayment rates, credit risk and other factors. A change in our asset allocation could result in us purchasing assets in classes different from those described in this report. Our Board of Directors determines our operational policies and may amend or revise our policies, including those with respect to our acquisitions, growth, operations, indebtedness, capitalization and distributions or approve transactions that deviate from these policies without a vote of, or notice to, our stockholders. In addition, certain of our external managers have great latitude in making investment and hedging decisions on our behalf. Changes in our investment strategy, hedging strategy and asset allocation and operational and management policies could materially adversely affect our business, financial condition and results of operations and ability to make distributions to our stockholders.

In connection with our operating and investment activity, we rely on third-party service providers, including our external managers, to perform a variety of services, comply with applicable laws and regulations, and carry out contractual covenants and terms, the failure of which by any of these third-party service providers may adversely impact our business and financial results.

In connection with our business of acquiring and holding loans, engaging in securitization transactions, and investing in third-party issued securities, we rely on third-party service providers, including our external managers, to perform a variety of services, comply with applicable laws and regulations, and carry out contractual covenants and terms. For example, we rely on the mortgage servicers who service the mortgage loans we purchase as well as the mortgage loans underlying our CMBS to, among other things, collect principal and interest payments on such mortgage loans and perform loss mitigation services. In addition, legislation that has been enacted or that may be enacted in order to reduce or prevent foreclosures through, among other things, loan modifications may reduce the value of mortgage loans backing our CMBS or mortgage loans that we acquire. Mortgage servicers may be incentivized by the U.S. Government to pursue such loan modifications, as well as forbearance plans and other actions intended to prevent foreclosure, even if such loan modifications and other actions are not in the best interests of the beneficial owners of the mortgage loans. Mortgage servicers and other service providers, such as our external managers, trustees, bond insurance providers, due diligence vendors and document custodians, may fail to perform or otherwise not perform in a manner that promotes our interests. As a result, we are subject to the risks associated with a third party’s failure to perform, including failure to perform due to reasons such as fraud, negligence, errors, miscalculations, or insolvency.

We may be affected by deficiencies in foreclosure practices of third parties, as well as related delays in the foreclosure process.

One of the biggest risks overhanging the RMBS market has been uncertainty around the timing and ability of servicers to foreclose on defaulted loans, so that they can liquidate the underlying properties and ultimately pass the liquidation proceeds through to RMBS holders. Given the magnitude of the recent housing crisis, and in response to the well-publicized failures of many servicers to follow proper foreclosure procedures (such as involving "robo-signing"), mortgage servicers are being held to much higher foreclosure-related documentation standards than they previously were. However, because many mortgages have been transferred and assigned multiple times (and by means of varying assignment procedures) throughout the origination, warehouse, and securitization processes, mortgage servicers are generally having much more difficulty furnishing the requisite documentation to initiate or complete foreclosures. This leads to stalled or suspended foreclosure proceedings, and ultimately additional foreclosure-related costs. Foreclosure-related delays also tend to increase ultimate loan loss severities as a result of property deterioration, amplified legal and other costs, and other factors. Many factors delaying foreclosure, such as borrower lawsuits and judicial backlog and scrutiny, are outside of a servicer's control and have delayed, and will likely continue to delay, foreclosure processing in both judicial states (where foreclosures require court involvement) and non-judicial states. The extension of foreclosure timelines also increases the inventory backlog of distressed homes on the market and creates greater uncertainty about housing prices. The concerns about deficiencies in foreclosure practices of servicers and related delays in the foreclosure process may impact our loss assumptions and affect the values of, and our returns on, our investments in RMBS and residential mortgage loans.

We are dependent on certain of our external managers and certain of their key personnel and may not find a suitable replacement if their respective management agreements with us are terminated or such key personnel are no longer available to us.

We historically were organized as a self-advised company that acquired, originated, sold and managed its assets; however, as we modified our business strategy and our targeted assets, we began to outsource the management of certain asset classes for which we had limited internal resources or experience. We presently utilize two external managers to manage certain of our assets and investment strategies. Each of our external managers, in some manner, identifies, evaluates, negotiates, structures, closes and monitors certain investments on our behalf. In each case, we have engaged these third parties because of the expertise of certain key personnel of our external managers. The departure of any of the senior officers of our external managers, or of a significant number of investment professionals or principals of our external managers, could have a material adverse effect on our ability to achieve our investment objectives in these asset classes. We are subject to the risk that our external managers will terminate their respective management agreement with us or that we may deem it necessary to terminate such agreement or prevent certain individuals from performing services for us, and that no suitable replacement will be found to manage certain of our assets and investment strategies on a timely basis or at all.

Pursuant to our management agreements, our external managers are entitled to receive a management fee that is payable regardless of the performance of the assets under their management.

We will pay each of our external managers substantial base management fees, based on our invested capital regardless of the performance of the assets under their management. The external managers' entitlement in many cases to non-performance based compensation may reduce its incentive to devote the time and effort of its professionals to seeking profitable investment opportunities for our company, which could result in the under-performance of assets under their management and negatively affect our ability to pay distributions to our stockholders or to achieve capital appreciation.

Pursuant to the terms of our management agreements, our external managers are generally entitled to receive an incentive fee, which may induce them to make certain investments, including speculative or high risk investments.

In addition to the base management fees payable to our external managers, our external managers are generally entitled to receive incentive compensation based, in part, upon the achievement of targeted levels of net income. In evaluating investments and other management strategies, the opportunity to earn incentive compensation based on net income may lead our external managers to place undue emphasis on the maximization of net income at the expense of other criteria, such as preservation of capital, maintaining liquidity and/or management of interest rate, credit or market risks, in order to achieve higher incentive compensation. Investments with higher yield potential are generally riskier or more speculative. In addition, Midway has broad discretion regarding the types of investments it will make pursuant to its management agreement with us. This could result in increased risk to the value of our assets under the management of our external managers.

We compete with our external managers' other clients for access to them.

Each of our external managers manages, and is expected to continue to manage, other client accounts with similar or overlapping investment strategies. In connection with the services provided to those accounts, these managers may be compensated more favorably than for the services provided under our external management agreements, and such discrepancies in compensation may affect the level of service provided to us by our external managers. Moreover, each of our external managers may have an economic interest in the accounts they manage or the investments they propose. As a result, we will compete with these other accounts and interests for access to our external managers and the benefits derived from those relationships. For the same reasons, the personnel of our external managers may be unable to dedicate a substantial portion of their time managing our investments to the extent they manage or are associated with any future investment vehicles not related to us.

There are conflicts of interest in our relationships with our external managers, which could result in decisions that are not in the best interests of our stockholders.

We may acquire or sell assets in which an external manager or its affiliates have or may have an interest, or we may participate in co-investment opportunities with our external managers or their affiliates. In these cases, it is possible that our interests and the interests of our external managers will not always be aligned and this could result in decisions that are not in the best interests of our company. Similarly, our external managers or its affiliates may acquire or sell assets in which we have or may have an interest. Although such acquisitions or dispositions may present conflicts of interest, we nonetheless may pursue and consummate such transactions. Additionally, we may engage in transactions directly with our external managers or their affiliates, including the purchase and sale of all or a portion of a targeted asset.

Acquisitions made for entities with similar objectives may be different from those made on our behalf. Our external managers may have economic interests in or other relationships with others in whose obligations or assets we may acquire. In particular, such persons may make and/or hold an investment in assets that we acquire that may be pari passu, senior or junior in ranking to our interest in the assets or in which partners, security holders, officers, directors, agents or employees of such persons serve on boards of directors or otherwise have ongoing relationships. Each of such ownership and other relationships may result in securities laws restrictions on transactions in such assets and otherwise create conflicts of interest. In such instances, the external managers may, in their sole discretion, make recommendations and decisions regarding such assets for other entities that may be the same as or different from those made with respect to assets acquired by us and may take actions (or omit to take actions) in the context of these other economic interests or relationships, the consequences of which may be adverse to our interests.

The key personnel of our external managers and its affiliates devote as much time to us as our external managers deem appropriate, however, these individuals may have conflicts in allocating their time and services among us and their other accounts and investment vehicles. During turbulent conditions in the mortgage or real estate industries, distress in the credit markets or other times when we will need focused support and assistance from our external managers, other entities for which our external managers serve as manager, or their accounts, will likewise require greater focus and attention, placing the resources of our external managers in high demand. In such situations, we may not receive the necessary support and assistance we require or would otherwise receive if we were internally managed.

We, directly or through our external managers, may obtain confidential information about the companies or securities in which we have invested or may invest. If we do possess confidential information about such companies or securities, there may be restrictions on our ability to dispose of, increase the amount of, or otherwise take action with respect to the securities of such companies. Our external managers’ management of other accounts could create a conflict of interest to the extent such external manager is aware of material non-public information concerning potential investment decisions and this in turn could impact our ability to make necessary investment decisions. Any limitations that develop as a result of our access to confidential information could therefore materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

There are limitations on our ability to withdraw invested capital from the account managed by Midway and our inability to withdraw our invested capital when necessary may materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Pursuant to the terms of the Midway Management Agreement, we may only redeem invested capital in an amount equal to the lesser of 10% of the invested capital in the account managed by Midway or $10 million as of the last calendar day of the month upon not less than 75 days written notice, subject to our authority to direct Midway to modify its investment strategy for purposes of maintaining our qualification as a REIT and exclusion from the Investment Company Act. In addition, we are only permitted to make one such redemption request in any 75-day period. In the event of a significant market event or shock, we may be unable to effect a redemption of invested capital in greater amounts or at a greater rate unless we obtain the consent of Midway. Moreover, because a reduction of invested capital would reduce the base management fee under the Midway Management Agreement, Midway may be less inclined to consent to such redemptions. If we are unable to withdraw invested capital as needed to meet our obligations in the future, our business and financial condition could be materially adversely affected.

Termination of our external management agreements may be difficult and costly.

Pursuant to the Midway Management Agreement, in the event we determine to terminate the Midway Management Agreement at any time in the future, Midway has the right to liquidate the assets it manages on our behalf in its sole discretion. Moreover, as discussed above, there are certain restrictions on our ability to redeem invested capital under the Midway Management Agreement. As a result, we may have little control over the liquidation of any of our assets that are managed by Midway or the timing of the full redemption of our invested capital, which may make it more difficult to terminate our agreement with Midway and could have a material adverse effect on our business, financial condition and results of operations.

In certain cases, if we terminate the Headlands Management Agreement, Headlands has, subject to certain conditions, a right of first refusal to purchase the loans managed by them at the time of the termination, which could result in the disposition of assets when we otherwise would not choose to dispose of such assets.

The market price and trading volume of our stock may be volatile.

The market price of our stock is highly volatile and subject to wide fluctuations. In addition, the trading volume in our stock may fluctuate and cause significant price variations to occur. Some of the factors that could result in fluctuations in the price or trading volume of our stock include, among other things: actual or anticipated changes in our current or future financial performance; actual or anticipated changes in our current or future dividend yield; changes in market interest rates and general market and economic conditions. We cannot assure you that the market price of our stock will not fluctuate or decline significantly.

We have not established a minimum dividend payment level for our common stockholders and there are no assurances of our ability to pay dividends to common or preferred stockholders in the future.

We intend to pay quarterly dividends and to make distributions to our common stockholders in amounts such that all or substantially all of our taxable income in each year, subject to certain adjustments, is distributed. This, along with other factors, should enable us to qualify for the tax benefits accorded to a REIT under the Internal Revenue Code. We have not established a minimum dividend payment level for our common stockholders and our ability to pay dividends may be harmed by the risk factors described herein. From July 2007 until April 2008, our Board of Directors elected to suspend the payment of quarterly dividends on our common stock. Our Board's decision reflected our focus on the elimination of operating losses through the sale of our mortgage lending business and the conservation of capital to build future earnings from our portfolio management operations. All distributions to our common stockholders will be made at the discretion of our Board of Directors and will depend on our earnings, our financial condition, maintenance of our REIT status and such other factors as our Board of Directors may deem relevant from time to time. There are no assurances of our ability to pay dividends to our common or preferred stockholders in the future at the current rate or at all.

Future offerings of debt securities, which would rank senior to our common stock and preferred stock upon our liquidation, and future offerings of equity securities, which would dilute our existing stockholders and may be senior to our common stock for the purposes of dividend and liquidating distributions, may adversely affect the market price of our common stock.

In the future, we may attempt to increase our capital resources by making offerings of debt or additional offerings of equity securities, including commercial paper, medium-term notes, senior or subordinated notes, convertible notes and classes of preferred stock or common stock. Upon liquidation, holders of our debt securities and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our preferred stock and common stock, with holders of our preferred stock having priority over holders of our common stock. Additional equity and certain convertible notes offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our securities bear the risk of our future offerings reducing the market price of our securities and diluting their stock holdings in us.

Future sales of our stock or other securities with an equity component could have an adverse effect on the price of our securities.

We cannot predict the effect, if any, of future sales of our stock or other securities with an equity component, or the availability of shares for future issuance, on the market price of our common or preferred stock. Sales of substantial amounts of these securities, or the perception that such sales could occur, may adversely affect prevailing market prices for our securities.

An increase in interest rates may have an adverse effect on the market price of our securities and our ability to make distributions to our stockholders.

One of the factors that investors may consider in deciding whether to buy or sell our securities is our dividend rate (or expected future dividend rates) as a percentage of our common stock price, relative to market interest rates. If market interest rates increase, prospective investors may demand a higher dividend rate on our shares or seek alternative investments paying higher dividends or interest. As a result, interest rate fluctuations and capital market conditions can affect the market price of our securities independent of the effects such conditions may have on our portfolio.

Our investments could be adversely affected if one of our operating partners or property managers at one of the multi-family projects in which we have invested performs poorly, which could adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

In general, with respect to our preferred and joint venture equity investments in, and mezzanine loans to, owners of multi-family properties, we expect to rely on our operating partners for the day-to-day management and maintenance of these properties. We will have no control or only limited influence over the day-to-day management and maintenance of such properties. Our operating partners are not fiduciaries to us, and in some cases, may have significantly less capital invested in a project than us. In addition, our operating partners engage property managers, which provide on-site management services. One or more of our operating partners or property managers may perform poorly in managing one or more of our project investments for a variety of reasons, including failure to properly adhere to budgets or properly consummate the property business plan. If one of our operating partners or property managers does not perform well at one of our projects, we may not be able to ameliorate the adverse effects of poor performance by terminating the operating partner or property manager and finding a replacement partner to manage these properties in a timely manner. In such an instance, our business, results of operations, financial condition and ability to make distributions to our stockholders could be materially adversely affected.

Actions of our operating partners could subject us to liabilities in excess of those contemplated or prevent us from taking actions which are in the best interests of our stockholders, which could result in lower investment returns to our stockholders.

We have entered into, and in the future intend to enter into, joint ventures with operating partners to acquire or improve properties. We may also make investments in properties through partnerships, co-tenancies or other co-ownership arrangements. Such investments may involve risks not otherwise present when acquiring real estate directly, including, for example:

- that our operating partners may share certain approval rights over major decisions;
- that our operating partners may at any time have economic or business interests or goals which are or which become inconsistent with our business interests or goals, including inconsistent goals relating to the sale of properties held in the joint venture or the timing of termination or liquidation of the joint venture;
- the possibility that our operating partner in a property might become insolvent or bankrupt;
- the possibility that we may incur liabilities as a result of an action taken by one of our operating partners;
- that one of our operating partners may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives, including our policy with respect to qualifying and maintaining our qualification as a REIT;
- disputes between us and our operating partners may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business, which may subject the properties owned by the applicable joint venture to additional risk;
- under certain joint venture arrangements, neither venture partner may have the power to control the venture, and an impasse could be reached which might have a negative influence on the joint venture; or
- that we will rely on our operating partners to provide us with accurate financial information regarding the performance of the joint venture properties in which we invest on a timely basis to enable us to satisfy our annual, quarterly and periodic reporting obligations under the Exchange Act and our operating partners and the joint venture entities in which we invest may have inadequate internal controls or procedures that could cause us to fail to meet our reporting obligations and other requirements under the federal securities laws.

Actions by one of our operating partners or one of the property managers of the multi-family properties in which we invest, which are generally out of our control, might subject us to liabilities in excess of those contemplated and thus reduce your investment returns. If we have a right of first refusal or buy/sell right to buy out an operating partner, we may be unable to finance such a buy-out if it becomes exercisable or we may be required to purchase such interest at a time when it would not otherwise be in our best interest to do so. If our interest is subject to a buy/sell right, we may not have sufficient cash, available borrowing capacity or other capital resources to allow us to elect to purchase the interest of our operating partner that is subject to the buy/sell right, in which case we may be forced to sell our interest as the result of the exercise of such right when we would otherwise prefer to keep our interest. Finally, we may not be able to sell our interest in a joint venture if we desire to exit the venture.

Short-term apartment leases expose us to the effects of declining market rent, which could adversely impact our earnings.

Substantially all of the apartment leases at the properties we invest in are for terms of one year or less. Because these leases generally permit the residents to leave at the end of the lease term without penalty, our earnings may be impacted more quickly by declines in market rents than if these leases were for longer terms, which could have a material adverse effect on our business, results of operations, financial condition and ability to make distributions to our stockholders.

The revenues generated by our investments in multi-family properties are significantly influenced by demand for multi-family properties generally, and a decrease in such demand will likely have a greater adverse effect on our revenues than if we owned a more diversified portfolio.

A substantial portion of our investment portfolio is comprised of direct or indirect investments in multi-family properties, and we expect that our portfolio going forward will continue to heavily focus on these assets. As a result, we are subject to risks inherent in investments concentrated in a single industry, and a decrease in the demand for multi-family apartment properties would likely have a greater adverse effect on our revenues and results of operations than if we invested in a more diversified portfolio. Resident demand at multi-family apartment properties may be adversely affected by, among other things, reduced household spending, reduced home prices, high unemployment, the rate of household formation or population growth in the markets in which we invest, changes in interest rates or the changes in supply of, or demand for, similar or competing multi-family apartment properties in an area. Reduced resident demand could cause downward pressure on occupancy and market rents at the properties in which we invest, which could cause a decrease in our revenue. In addition, decreased demand could also impair the ability of our joint venture properties or operating partners to satisfy their substantial debt service obligations or make distributions or payments of principal or interest to us, which in turn could materially adversely affect our business, results of operations, financial condition and ability to make distributions to our stockholders.

Our existing goodwill could become impaired, which may require us to take significant non-cash charges.

We evaluate our goodwill for impairment at least annually, or more frequently if circumstances indicate potential impairment may have occurred. We also evaluate, at least quarterly, whether events or circumstances have occurred subsequent to the annual impairment testing which indicate that it is more-likely-than-not an impairment loss has occurred. If the fair value of our reporting unit is less than its carrying value, we would record an impairment charge for the excess of the carrying amount over the estimated fair value. The valuation of our reporting unit requires significant judgment, which includes the evaluation of recent indicators of market activity and estimated future cash flows, discount rates, and other factors. Any impairment of goodwill as a result of such analysis would result in a non-cash charge against earnings, which could materially adversely affect our reported financial results for the period in which the charge was taken and the price of our securities.

Your interest in us may be diluted if we issue additional shares.

Current stockholders of our company do not have preemptive rights to any common stock issued by us in the future. Therefore, our stockholders may experience dilution of their equity investment if we sell additional common stock in the future, sell securities that are convertible into common stock or issue shares of common stock or options exercisable for shares of common stock. In addition, we could sell securities at a price less than our then-current book value per share.

Investing in our securities may involve a high degree of risk.

The investments we make in accordance with our investment strategy may result in a high degree of risk or loss of principal than alternative investment options. Our investments may be highly speculative and aggressive, and therefore, an investment in our securities may not be suitable for someone with lower risk tolerance.

The downgrade of the U.S.'s and certain European countries' or certain European financial institutions' credit ratings, any future downgrades of the U.S.'s and certain European countries' or certain European financial institutions' credit ratings and the failure to resolve issues related to U.S. fiscal and debt policies may materially adversely affect our business, liquidity, financial condition and results of operations.

U.S. debt ceiling and budget deficit concerns in recent years have increased the possibility of credit-rating downgrades or economic slowdowns in the U.S. Although U.S. lawmakers passed legislation to raise the federal debt ceiling in 2011 and again in 2013, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the U.S. from “AAA” to “AA+” in August 2011. The impact of any further downgrades to the U.S. Government's sovereign credit rating or its perceived creditworthiness could adversely affect the U.S. and global financial markets and economic conditions. If the U.S.'s credit rating were downgraded it would likely impact the credit risk associated with Agency RMBS in our portfolio. A downgrade of the U.S. Government's credit rating or a default by the U.S. Government to satisfy its debt obligations likely would create broader financial turmoil and uncertainty, which would weigh heavily on the global banking system and these developments could cause interest rates and borrowing costs to rise and a reduction in the availability of credit, which may negatively impact the value of the assets in our portfolio, our net income, liquidity and our ability to finance our assets on favorable terms.

In the years following the financial and credit crisis of 2007-2008, many financial institutions in Europe experienced financial difficulty and were either rescued by government assistance or otherwise benefited from accommodative monetary policy of central banks. Several European governments implemented measures to attempt to shore up their financial sectors through loans, credit guarantees, capital infusions, promises of continued liquidity funding and interest rate cuts. Additionally, other governments of the world’s largest economic countries also implemented interest rate cuts. Some of these European financial institutions have U.S. banking subsidiaries that serve as financing or hedging counterparties to us. Although economic and credit conditions have stabilized in the past few years, there is no assurance that these and other plans and programs will be successful in the longer term, and, in particular, when governments and central banks begin to significantly unwind or otherwise reverse these programs and policies. In addition, in recent years, the U.S. government placed many of the U.S. banking subsidiaries of these major European financial institutions on credit watch. If European credit concerns continue to impact these major European banks, there is the possibility that it will also impact the operations of their U.S. banking subsidiaries. Some of these financial institutions have U.S. banking subsidiaries that serve as financing or hedging counterparties to us. Any future downgrade of the credit ratings of these European financial institutions could result in greater counterparty default risk and could materially adversely affect our business, liquidity, access to financing and results of operations.

Risks Related to Our Company, Structure and Change in Control Provisions

We are highly dependent on information systems and system failures could significantly disrupt our business, which may, in turn, materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Our business is highly dependent on communications and information systems. Any failure or interruption of our systems could cause delays or other problems in our securities trading and other investment activities which could materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

The occurrence of cyber-incidents, or a deficiency in our cybersecurity or in those of any of our third party service providers, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information or damage to our business relationships or reputation, all of which could negatively impact our business and results of operations.

A cyber-incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of our information resources or the information resources of our third party service providers. More specifically, a cyber-incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data, or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced. The primary risks that could directly result from the occurrence of a cyber-incident include operational interruption and private data exposure. We have implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as our increased awareness of a risk of a cyber-incident, do not guarantee that our business and results of operations will not be negatively impacted by such an incident.

Our Board of Directors does not approve each of our investment decisions, and may change our investment guidelines without notice or stockholder consent, which may result in riskier investments.

Our Board of Directors periodically reviews our investment guidelines, investment portfolio, and potential investment strategies. However, our directors do not pre-approve individual investments leaving management and our external managers with day-to-day discretion over the portfolio composition within the investment guidelines. Within those guidelines, management and our external managers have discretion to significantly change the composition of the portfolio. In addition, in conducting periodic reviews, the directors may rely primarily on information provided to them by our management or external managers. Our Board of Directors has the authority to change our investment guidelines at any time without notice to or consent from our stockholders. To the extent that our investment guidelines change in the future, we may make investments that are different from, and possibly riskier than, the investments described in this Annual Report on Form 10-K. Moreover, because our management and our external managers have great latitude within our investment guidelines in determining the types and amounts of assets in which to invest on our behalf, there can be no assurance that our management and our external managers will not make investments that result in returns that are substantially below expectations or result in losses, which would materially adversely affect our business, results of operations, financial condition and ability to make distributions to our stockholders.

We are dependent on certain key personnel.

We are a small company and are substantially dependent upon the efforts of our Chief Executive Officer, Steven R. Mumma, our President, Kevin M. Donlon, and certain other key individuals employed by us or our external managers. The loss of Mr. Mumma, Mr. Donlon or any key personnel of our Company or our external managers or their services could have a material adverse effect on our operations.

The stock ownership limit imposed by our charter may inhibit market activity in our common stock and may restrict our business combination opportunities.

In order for us to maintain our qualification as a REIT under the Internal Revenue Code, not more than 50% in value of the issued and outstanding shares of our capital stock may be owned, actually or constructively, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) at any time during the last half of each taxable year (other than our first year as a REIT). This test is known as the “5/50 test.” Attribution rules in the Internal Revenue Code apply to determine if any individual or entity actually or constructively owns our capital stock for purposes of this requirement. Additionally, at least 100 persons must beneficially own our capital stock during at least 335 days of each taxable year (other than our first year as a REIT). To help ensure that we meet these tests, our charter restricts the acquisition and ownership of shares of our capital stock. Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT and provides that, unless exempted by our Board of Directors, no person may own more than 9.9% in value of the aggregate of the outstanding shares of our capital stock or more than 9.9% in value or in number of shares, whichever is more restrictive, of the aggregate of our outstanding shares of common stock. The ownership limits contained in our charter could delay or prevent a transaction or a change in control of our company under circumstances that otherwise could provide our stockholders with the opportunity to realize a premium over the then current market price for our common stock or would otherwise be in the best interests of our stockholders.

Risks Related to Credit

Our efforts to manage credit risks may fail.

Despite our efforts to manage credit risk, there are many aspects of credit risk that we cannot control. Our credit policies and procedures may not be successful in limiting future delinquencies, defaults, and losses, or they may not be cost effective. Our underwriting reviews may not be effective. Loan servicing companies may not cooperate with our loss mitigation efforts or those efforts may be ineffective. Service providers to securitizations, such as trustees, loans servicers, bond insurance providers, and custodians, may not perform in a manner that promotes our interests. Delay of foreclosures could delay resolution and increase ultimate loss severities, as a result.

The value of the properties collateralizing or underlying the loans or securities we own may decline. The frequency of default and the loss severity on loans upon default may be greater than we anticipate. Interest-only loans, negative amortization loans, adjustable-rate loans, larger balance loans, reduced documentation loans, non-QM loans, subprime loans, alt-a loans, second lien loans, loans in certain locations, and loans or investments that are partially collateralized by non-real estate assets may have increased risks and severity of loss. If property securing or underlying loans become real estate owned as a result of foreclosure, we bear the risk of not being able to sell the property and recovering our investment and of being exposed to the risks attendant to the ownership of real property.

If we underestimate the loss-adjusted yields of our investments in credit sensitive assets, we may experience losses.

We and our managers expect to value our investments in many credit sensitive assets, including, but not limited to, multi-family CMBS, based on loss-adjusted yields taking into account estimated future losses on the loans that we are investing in directly or that underlie securities owned by us, and the estimated impact of these losses on expected future cash flows. Our loss estimates may not prove accurate, as actual results may vary from our estimates. In the event that we underestimate the losses relative to the price we pay for a particular investment, we may experience material losses with respect to such investment.

We invest in CMBS that are subordinate to more senior securities issued by the applicable securitization, which entails certain risks.

We currently own and may acquire in the future principal only multi-family CMBS that represent the first loss tranche or other subordinate tranche of a multi-family mortgage loan securitization. These securities are subject to the first risk of loss or greater risk of loss (as applicable) if any losses are realized on the underlying mortgage loans in the securitization. We also own and may acquire in the future interest only securities issued by multi-family mortgage loan securitizations. However, these interest only CMBS typically only receive payments of interest to the extent that there are funds available in the securitization to make the payments. CMBS generally entitle the holders thereof to receive payments that depend primarily on the cash flow from a specified pool of commercial or multi-family mortgage loans. Consequently, the CMBS, and in particular, first loss principal only CMBS, will be adversely affected by payment defaults, delinquencies and losses on the underlying mortgage loans, each of which could have a material adverse effect on our cash flows and results of operations.

Residential mortgage loans, including non-QM residential mortgage loans, subprime residential mortgage loans and non-performing, sub-performing and re-performing residential mortgage loans, are subject to increased risks.

We acquire and manage residential whole mortgage loans, including loans sourced from distressed markets. Residential mortgage loans, including non-performing, sub-performing and re-performing mortgage loans as well as subprime mortgage loans and mortgage loans that are not deemed "qualified mortgage", or "QM," loans under the rules of the Consumer Financial Protection Bureau, or "CFPB", are subject to increased risks of loss. Unlike Agency RMBS, the residential mortgage loans we invest in generally are not guaranteed by the federal government or any GSE. Additionally, by directly acquiring residential mortgage loans, we do not receive the structural credit enhancements that benefit senior tranches of RMBS. A residential whole mortgage loan is directly exposed to losses resulting from default. Therefore, the value of the underlying property, the creditworthiness and financial position of the borrower and the priority and enforceability of the lien will significantly impact the value of such mortgage. In the event of a foreclosure, we may assume direct ownership of the underlying real estate. The liquidation proceeds upon sale of such real estate may not be sufficient to recover our cost basis in the loan, and any costs or delays involved in the foreclosure or liquidation process may increase losses.

Residential mortgage loans are also subject to "special hazard" risk (property damage caused by hazards, such as earthquakes or environmental hazards, not covered by standard property insurance policies), and to bankruptcy risk (reduction in a borrower's mortgage debt by a bankruptcy court). In addition, claims may be assessed against us on account of our position as a mortgage holder or property owner, including assignee liability, responsibility for tax payments, environmental hazards and other liabilities. In some cases, these liabilities may be "recourse liabilities" or may otherwise lead to losses in excess of the purchase price of the related mortgage or property.

Our targeted assets currently include distressed residential loans that we acquire from third parties, typically at a discount. Distressed residential loans sell at a discount because they may constitute riskier investments than those selling at or above par value. The distressed residential loans we invest in may be distressed because a borrower may have defaulted thereupon, because the borrower is or has been in the past delinquent on paying all or a portion of his obligation under the loan or because the loan may otherwise contain credit quality that is considered to be poor. The likelihood of full recovery of a distressed loan’s principal and contractual interest is less than that for loans trading at or above par value. Although we typically expect to receive less than the principal amount or face value of the distressed residential loans that we purchase, the return that we in fact receive thereupon may be less than our investment in such loans due to the failure of the loans to perform or reperform. An economic downturn would exacerbate the risks of the recovery of the full value of the loan or the cost of our investment therein.

Second mortgage loan investments expose us to greater credit risks.

We expect to invest in second mortgages on residential properties, which are subject to a greater risk of loss than a traditional mortgage. Our security interest in the property securing a second mortgage is subordinated to the interest of the first mortgage holder and the second mortgages have a higher combined loan-to-value ratio than do the first mortgages. If the borrower experiences difficulties in making senior lien payments or if the value of the property is equal to or less than the amount needed to repay the borrower's obligation to the first mortgage holder upon foreclosure, our investment in the second mortgage loan may not be repaid in full or at all. Further, it is likely that any investments we make in second mortgages will be placed with private entities and not insured by a GSE.

If we sell or transfer any whole mortgage loans to a third party, including a securitization entity, we may be required to repurchase such loans or indemnify such third party if we breach representations and warranties.

When we sell or transfer any whole mortgage loans to a third party, including a securitization entity, we generally are required to make customary representations and warranties about such loans to the third party. Our residential mortgage loan sale agreements and terms of any securitizations into which we sell or transfer loans will generally require us to repurchase or substitute loans in the event we breach a representation or warranty given to the loan purchaser or securitization. In addition, we may be required to repurchase loans as a result of borrower fraud or in the event of early payment default on a mortgage loan. The remedies available to a purchaser of mortgage loans are generally broader than those available to us against an originating broker or correspondent. Repurchased loans are typically worth only a fraction of the original price. Significant repurchase activity could materially adversely affect our business, financial condition and results of operations and our ability to pay dividends to our stockholders.

Risks Related to Our Use of Hedging Strategies

Hedging against credit events and interest rate changes and other risks may materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Subject to compliance with the requirements to qualify as a REIT, we engage in certain hedging transactions to limit our exposure to changes in interest rates and therefore may expose ourselves to risks associated with such transactions. We may utilize instruments such as interest rate swaps, caps, collars and floors and Eurodollar and U.S. Treasury futures to seek to hedge the interest rate risk associated with our portfolio. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, we may establish other hedging positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the portfolio positions should increase. Moreover, at any point in time we may choose not to hedge all or a portion of these risks, and we generally will not hedge those risks that we believe are appropriate for us to take at such time, or that we believe would be impractical or prohibitively expensive to hedge.

Even if we do choose to hedge certain risks, for a variety of reasons we generally will not seek to establish a perfect correlation between our hedging instruments and the risks being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. Our hedging activity will vary in scope based on the composition of our portfolio, our market views, and changing market conditions, including the level and volatility of interest rates. When we do choose to hedge, hedging may fail to protect or could materially adversely affect us because, among other things:

- either we or our external managers may fail to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the assets in the portfolio being hedged;
- either we or our external managers may fail to recalculate, re-adjust and execute hedges in an efficient and timely manner;
- the hedging transactions may actually result in poorer over-all performance for us than if we had not engaged in the hedging transactions;
- credit hedging can be expensive, particularly when the market is forecasting future credit deterioration and when markets are more illiquid;
- interest rate hedging can be expensive, particularly during periods of volatile interest rates;
- available hedges may not correspond directly with the risks for which protection is sought;
- the durations of the hedges may not match the durations of the related assets or liabilities being hedged;
- many hedges are structured as over-the-counter contracts with counterparties whose creditworthiness is not guaranteed, raising the possibility that the hedging counterparty may default on their payment obligations; and
- to the extent that the creditworthiness of a hedging counterparty deteriorates, it may be difficult or impossible to terminate or assign any hedging transactions with such counterparty.

For these and other reasons, our hedging activity may materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Hedging instruments and other derivatives may not, in many cases, be traded on regulated exchanges, or guaranteed or regulated by any U.S. or foreign governmental authorities and involve risks and costs that could result in material losses.

Hedging instruments and other derivatives involve risk because they may not, in many cases, be traded on regulated exchanges and may not be guaranteed or regulated by any U.S. or foreign governmental authorities. Consequently, for these instruments, there are no requirements with respect to record keeping, financial responsibility or segregation of customer funds and compliance with applicable statutory and commodity and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. We are not restricted from dealing with any particular counterparty or from concentrating any or all of our transactions with one counterparty. The business failure of a hedging counterparty with whom we enter into a hedging transaction will most likely result in a default under the hedging agreement. Default by a party with whom we enter into a hedging transaction may result in losses and may force us to re-initiate similar hedges with other counterparties at the then-prevailing market levels. Generally, we will seek to reserve the right to terminate our hedging transactions upon a counterparty’s insolvency, but absent an actual insolvency, we may not be able to terminate a hedging transaction without the consent of the hedging counterparty, and we may not be able to assign or otherwise dispose of a hedging transaction to another counterparty without the consent of both the original hedging counterparty and the potential assignee. If we terminate a hedging transaction, we may not be able to enter into a replacement contract in order to cover our risk. There can be no assurance that a liquid secondary market will exist for hedging instruments purchased or sold, and therefore we may be required to maintain any hedging position until exercise or expiration, which could materially adversely affect our business, financial condition and results of operations.

The Commodity Futures Trading Commission ("CFTC") and certain commodity exchanges have established limits referred to as speculative position limits or position limits on the maximum net long or net short position which any person or group of persons may hold or control in particular futures and options. Limits on trading in options contracts also have been established by the various options exchanges. It is possible that trading decisions may have to be modified and that positions held may have to be liquidated in order to avoid exceeding such limits. Such modification or liquidation, if required, could materially adversely affect our business, financial condition and results of operation and our ability to make distributions to our stockholders.

Our delayed delivery transactions, including TBAs, subject us to certain risks, including price risks and counterparty risks.

We purchase a significant portion of our Agency RMBS through delayed delivery transactions, including TBAs. In a delayed delivery transaction, we enter into a forward purchase agreement with a counterparty to purchase either (i) an identified Agency RMBS, or (ii) a to-be-issued (or “to-be-announced”) Agency RMBS with certain terms. As with any forward purchase contract, the value of the underlying Agency RMBS may decrease between the contract date and the settlement date. Furthermore, a transaction counterparty may fail to deliver the underlying Agency RMBS at the settlement date. If any of the above risks were to occur, our financial condition and results of operations may be materially adversely affected.

Risks Related to Debt Financing

Failure to procure adequate funding and capital would adversely affect our results and may, in turn, negatively affect the value of our securities and our ability to distribute cash to our stockholders.

We depend upon the availability of adequate funding and capital for our operations. To maintain our status as a REIT, we are required to distribute at least 90% of our REIT taxable income annually, determined without regard to the deduction for dividends paid and excluding net capital gain, to our stockholders and therefore are not able to retain our earnings for new investments. We cannot assure you that any, or sufficient, funding or capital will be available to us in the future on terms that are acceptable to us. In the event that we cannot obtain sufficient funding and capital on acceptable terms, there may be a negative impact on the value of our securities and our ability to make distributions to our stockholders, and you may lose part or all of your investment.

Our access to financing sources, which may not be available on favorable terms, or at all, may be limited, and this may materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

We depend upon the availability of adequate capital and financing sources on acceptable terms to fund our operations. However, as previously discussed, the capital and credit markets have experienced unprecedented levels of volatility and disruption in recent years that has generally caused a reduction of available credit. Continued volatility or disruption in the credit markets or a downturn in the global economy could materially adversely affect one or more of our lenders and could cause one or more of our lenders to be unwilling or unable to provide us with financing, or to increase the costs of that financing, or to become insolvent. Although we finance some of our assets with longer-term structured financing having terms of three years or more, we rely heavily on access to short-term borrowings, primarily in the form of repurchase agreements, to finance our investments. We are currently party to repurchase agreements of a short duration and there can be no assurance that we will be able to roll over or re-set these borrowings on favorable terms, if at all. In the event we are unable to roll over or re-set our repurchase agreement borrowings, it may be more difficult for us to obtain debt financing on favorable terms or at all. In addition, regulatory capital requirements imposed on our lenders have changed the willingness of many repurchase agreement lenders to make repurchase agreement financing available and additional regulatory capital requirements imposed on our lenders may cause them to change, limit, or increase the cost of, the financing they provide to us. In general, this could potentially increase our financing costs and reduce our liquidity or require us to sell assets at an inopportune time or price. Under current market conditions, securitizations are generally unavailable or limited, which has also limited borrowings under warehouse facilities and other credit facilities that are intended to be refinanced by such securitizations. Consequently, depending on market conditions at the relevant time, we may have to rely on additional equity issuances to meet our capital and financing needs, which may be dilutive to our stockholders, or we may have to rely on less efficient forms of debt financing that restrict our operations or consume a larger portion of our cash flow from operations, thereby reducing funds available for our operations, future business opportunities, cash distributions to our stockholders and other purposes. We cannot assure you that we will have access to such equity or debt capital on favorable terms (including, without limitation, cost and term) at the desired times, or at all, which may cause us to curtail our investment activities and/or dispose of assets, which could materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

We may incur increased borrowing costs related to repurchase agreements and that would adversely affect our profitability.

Currently, a significant portion of our borrowings are collateralized borrowings in the form of repurchase agreements. If the interest rates on these agreements increase at a rate higher than the increase in rates payable on our investments, our profitability would be adversely affected.

Our borrowing costs under repurchase agreements generally correspond to short-term interest rates such as LIBOR or a short-term Treasury index, plus or minus a margin. The margins on these borrowings over or under short-term interest rates may vary depending upon a number of factors, including, without limitation:

- the movement of interest rates;
- the availability of financing in the market; and
- the value and liquidity of our mortgage-related assets.

During 2008 and 2009, many repurchase agreement lenders required higher levels of collateral than they had required in the past to support repurchase agreements collateralized by RMBS. Although these collateral requirements have been reduced to more appropriate levels, we cannot assure you that they will not again experience a dramatic increase. If the interest rates, lending margins or collateral requirements under our short-term borrowings, including repurchase agreements, increase, or if lenders impose other onerous terms to obtain this type of financing, our results of operations will be adversely affected.

The repurchase agreements that we use to finance our investments may require us to provide additional collateral, which could reduce our liquidity and harm our financial condition.

We use repurchase agreements to finance certain of our investments, primarily RMBS. If the market value of the loans or securities pledged or sold by us to a funding source decline in value, we may be required by the lending institution to provide additional collateral or pay down a portion of the funds advanced, but we may not have the funds available to do so. Posting additional collateral to support our repurchase agreements will reduce our liquidity and limit our ability to leverage our assets. In the event we do not have sufficient liquidity to meet such requirements, lending institutions can accelerate our indebtedness, increase our borrowing rates, liquidate our collateral at inopportune times and terminate our ability to borrow. This could result in a rapid deterioration of our financial condition and possibly require us to file for protection under the U.S. Bankruptcy Code.

We leverage our equity, which can exacerbate any losses we incur on our current and future investments and may reduce cash available for distribution to our stockholders.

We leverage our equity through borrowings, generally through the use of repurchase agreements and other short-term borrowings, longer-term structured debt, such as CDOs and other forms of securitized debt, or corporate-level debt, such as convertible notes. We may, in the future, utilize other forms of borrowing. The amount of leverage we incur varies depending on the asset type, our ability to obtain borrowings, the cost of the debt and our lenders' estimates of the value of our portfolio's cash flow. The return on our investments and cash available for distribution to our stockholders may be reduced to the extent that changes in market conditions cause the cost of our financing to increase relative to the income that can be derived from the assets we hold in our investment portfolio. Further, the leverage on our equity may exacerbate any losses we incur.

Our debt service payments will reduce the net income available for distribution to our stockholders. We may not be able to meet our debt service obligations and, to the extent that we cannot, we risk the loss of some or all of our assets to sale to satisfy our debt obligations. A decrease in the value of the assets may lead to margin calls under our repurchase agreements which we will have to satisfy. Significant decreases in asset valuation, could lead to increased margin calls, and we may not have the funds available to satisfy any such margin calls. Although we have established target leverage amounts for many of our assets, there is no established limitation, other than may be required by our financing arrangements, on our leverage ratio or on the aggregate amount of our borrowings.

If we are unable to leverage our equity to the extent we currently anticipate, the returns on certain of our assets could be diminished, which may limit or eliminate our ability to make distributions to our stockholders.

If we are limited in our ability to leverage our assets to the extent we currently anticipate, the returns on these assets may be harmed. A key element of our strategy is our use of leverage to increase the size of our portfolio in an attempt to enhance our returns. Our repurchase agreements, excluding our repurchase agreements with Deutsche Bank AG, Cayman Islands Branch that finance our residential mortgage loans, including our distressed residential loans, are not currently committed facilities, meaning that the counterparties to these agreements may at any time choose to restrict or eliminate our future access to the facilities and we have no other committed credit facilities through which we may leverage our equity. If we are unable to leverage our equity to the extent we currently anticipate, the returns on our portfolio could be diminished, which may limit or eliminate our ability to make distributions to our stockholders.

Despite our current debt levels, we may still incur substantially more debt or take other actions which could have the effect of diminishing our ability to make payments on our indebtedness when due and distributions to our stockholders.

Despite our current consolidated debt levels, we and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in our debt instruments, some of which may be secured debt. We are not restricted presently under the terms of the agreements governing our borrowings from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that could have the effect of diminishing our ability to make payments on our indebtedness when due and distributions to our stockholders.

We directly or indirectly utilize non-recourse securitizations and recourse structured financings and such structures expose us to risks that could result in losses to us.

We sometimes utilize non-recourse securitizations of our investments in mortgage loans or CMBS to the extent consistent with the maintenance of our REIT qualification and exclusion from the Investment Company Act in order to generate cash for funding new investments and/or to leverage existing assets. In most instances, this involves us transferring loans or CMBS owned by us to a SPE in exchange for cash and typically the ownership certificate or residual interest in the entity. In some sale transactions, we also retain a subordinated interest in the loans or CMBS sold, such as a B-note. The securitization or other structured financing of our portfolio investments might magnify our exposure to losses on those portfolio investments because the subordinated interest we retain in the loans or CMBS sold would be subordinate to the senior interest in the loans or CMBS sold, and we would, therefore, absorb all of the losses sustained with respect to a loan sold before the owners of the senior interest experience any losses. Under the terms of these financings, which generally have terms of three to ten years, we may agree to receive no cash flows from the assets transferred to the SPE until the debt issued by the special purpose entity has matured or been repaid. We cannot be assured that we will be able to access the securitization markets in the future, or be able to do so at favorable rates. The inability to consummate longer term financing for the credit sensitive assets in our portfolio could require us to seek other forms of potentially less attractive financing or to liquidate assets at an inopportune time or price, which could adversely affect our performance and our ability to grow our business.

In addition, under the terms of the securitization or structured financing, we may have limited or no ability to sell, transfer or replace the assets transferred to the SPE, which could have a material adverse effect on our ability to sell the assets opportunistically or during periods when our liquidity is constrained or to refinance the assets. Finally, we have in the past and may in the future guarantee certain terms or conditions of these financings, including the payment of principal and interest on the debt issued by the SPE, the cash flows for which are typically derived from the assets transferred to the entity. If a SPE defaults on its obligations and we have guaranteed the satisfaction of that obligation, we may be materially adversely affected.

If a counterparty to our repurchase transactions defaults on its obligation to resell the underlying security back to us at the end of the transaction term or if we default on our obligations under the repurchase agreement, we may incur losses.

When we engage in repurchase transactions, we generally sell RMBS, CMBS, mortgage loans or certain other assets to lenders (i.e., repurchase agreement counterparties) and receive cash from the lenders. The lenders are obligated to resell the same security or asset back to us at the end of the term of the transaction. Because the cash we receive from the lender when we initially sell the security or asset to the lender is less than the value of that security or asset (this difference is referred to as the "haircut"), if the lender defaults on its obligation to resell the same security or asset back to us we would incur a loss on the transaction equal to the amount of the haircut (assuming there was no change in the value of the security). Certain of the assets that we pledge as collateral, including Agency IOs and distressed residential loans are currently subject to significant haircuts. Further, if we default on one of our obligations under a repurchase transaction, the lender can terminate the transaction and cease entering into any other repurchase transactions with us. Our repurchase agreements contain cross-default provisions, so that if a default occurs under any one agreement, the lenders under our other agreements could also declare a default. Any losses we incur on our repurchase transactions could adversely affect our earnings and thus our cash available for distribution to our stockholders.

Our use of repurchase agreements to borrow funds may give our lenders greater rights in the event that either we or a lender files for bankruptcy.

Our borrowings under repurchase agreements may qualify for special treatment under the bankruptcy code, giving our lenders the ability to avoid the automatic stay provisions of the bankruptcy code and to take possession of and liquidate our collateral under the repurchase agreements without delay in the event that we file for bankruptcy. Furthermore, the special treatment of repurchase agreements under the bankruptcy code may make it difficult for us to recover our pledged assets in the event that a lender files for bankruptcy. Thus, the use of repurchase agreements exposes our pledged assets to risk in the event of a bankruptcy filing by either a lender or us.

Our liquidity may be adversely affected by margin calls under our repurchase agreements because we are dependent in part on the lenders' valuation of the collateral securing the financing.

Each of these repurchase agreements allows the lender, to varying degrees, to revalue the collateral to values that the lender considers to reflect market value. If a lender determines that the value of the collateral has decreased, it may initiate a margin call requiring us to post additional collateral to cover the decrease. When we are subject to such a margin call, we must provide the lender with additional collateral or repay a portion of the outstanding borrowings with minimal notice. Any such margin call could harm our liquidity, results of operation and financial condition. Additionally, in order to obtain cash to satisfy a margin call, we may be required to liquidate assets at a disadvantageous time, which could cause it to incur further losses and adversely affect our results of operations and financial condition.

Risks Related to Regulatory Matters

Changes in laws and regulations affecting the relationship between Fannie Mae and Freddie Mac and the U.S. government may adversely affect our business.

Payments on the Agency RMBS (excluding Agency IOs) in which we invest are guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae. Fannie Mae and Freddie Mac are government sponsored enterprises, or "GSEs," but their guarantees are not backed by the full faith and credit of the United States. As broadly publicized, significant losses at Fannie Mae and Freddie Mac caused the U.S. Government to place Fannie Mae and Freddie Mac under federal conservatorship and to inject significant capital in these businesses. Questions regarding the continued viability of Fannie Mae and Freddie Mac, as currently structured, including the guarantees that back the RMBS issued by them, and the U.S. Government's participation in the U.S. residential mortgage market through the GSEs, continue to persist. In February 2011, the U.S. Department of the Treasury along with the U.S. Department Housing and Urban Development released a much-awaited report titled " Reforming America's Housing Finance Market, " which outlines recommendations for reforming the U.S. housing system, including reducing the roles of Fannie Mae and Freddie Mac and transforming the government's involvement in the housing market and its relationship to Fannie Mae and Freddie Mac. In February 2012, the Federal Housing Finance Agency, or FHFA, released its "Strategic Plan for Enterprise Conservatorships," as updated in May 2014, which sets forth three goals for the next phase of the Fannie Mae and Freddie Mac conservatorships, which include (i) build a new infrastructure for the secondary mortgage market, (ii) gradually reduce Fannie Mae and Freddie Mac's presence in the marketplace while simplifying and shrinking their operations, and (iii) maintaining foreclosure prevention activities and credit availability for new and refinanced mortgages. Since the FHFA first released its strategic plan, there have been a number of other housing finance reform proposals introduced, both from industry groups and by the U.S. Congress, many of which could potentially increase private capital flows to the mortgage sector while reducing taxpayer risk and some of which involve the elimination of Freddie Mac and Fannie Mae. To date, no definitive legislation has been enacted with respect to a possible unwinding of Fannie Mae or Freddie Mac or a material reduction in their roles in the U.S. mortgage market and it is not possible at this time to predict the scope and nature of the actions that the U.S. Government will ultimately take with respect to these entities.

As discussed above, each of Fannie Mae, Freddie Mac and Ginnie Mae could be dissolved and the U.S. Government could determine to stop providing liquidity support of any kind to the mortgage market. If Fannie Mae, Freddie Mac or Ginnie Mae were eliminated, or their structures were to change radically or the U.S. Government significantly reduced its support for any or all of them which would drastically reduce the amount and type of mortgage-backed securities, or MBS, available for purchase, we may be unable or significantly limited in our ability to acquire MBS, which, in turn, could materially adversely affect our ability to maintain our exclusion from regulation as an investment company under the Investment Company Act. Moreover, any changes to the nature of the guarantees provided by, or laws affecting, Fannie Mae, Freddie Mac and Ginnie Mae could materially adversely affect the credit quality of the guarantees, could increase the risk of loss on purchases of MBS issued by these GSEs and could have broad adverse market implications for the MBS they currently guarantee and the mortgage industry generally. Any action that affects the credit quality of the guarantees provided by Fannie Mae, Freddie Mac and Ginnie Mae could materially adversely affect the value of the MBS and other mortgage-related assets that we own or seek to acquire. In addition, any market uncertainty that arises from any such proposed changes, or the perception that such changes will come to fruition, could have a similar impact on us and the values of the MBS and other mortgage-related assets that we own.

In addition, we rely on our Agency RMBS as collateral for our financings under the repurchase agreements that we have entered into. Any decline in their value, or perceived market uncertainty about their value, would make it more difficult for us to obtain financing on our Agency RMBS on acceptable terms or at all, or to maintain compliance with the terms of any financing transactions.

Mortgage loan modification programs and future legislative action may adversely affect the value of, and the returns on, our targeted assets.

The U.S. Government, through the U.S. Treasury, the Federal Housing Administration, or "FHA", and the Federal Deposit Insurance Corporation, or “FDIC," commenced implementation of programs designed to provide homeowners with assistance in avoiding residential or commercial mortgage loan foreclosures, including the Home Affordable Modification Program, or “HAMP,” which provides homeowners with assistance in avoiding residential mortgage loan foreclosures, and the Home Affordable Refinance Program, or “HARP,” which allows borrowers who are current on their mortgage payments to refinance and reduce their monthly mortgage payments at loan-to-value ratios up to 125% without new mortgage insurance. The programs may involve, among other things, the modification of residential mortgage loans to reduce the principal amount of the loans or the rate of interest payable on the loans, or to extend the payment terms of the loans.

Loan modification and refinance programs may adversely affect the performance of Agency RMBS, non-Agency RMBS and residential mortgage loans owned by us. Residential distressed mortgage loans and non-Agency RMBS are particularly sensitive to loan modification and refinance programs, as a significant number of loan modifications with respect to a given security or pool of loans, including those related to principal forgiveness and coupon reduction, could negatively impact the realized yields and cash flows on such investments. In addition, it is also likely that loan modifications would result in increased prepayments on some RMBS and residential mortgage loans.

The U.S. Congress and various state and local legislatures have considered in the past, and in the future may adopt, legislation, which, among other provisions, would permit limited assignee liability for certain violations in the mortgage loan origination process, and would allow judicial modification of loan principal in the event of personal bankruptcy. We cannot predict whether or in what form the U.S. Congress or the various state and local legislatures may enact legislation affecting our business or whether any such legislation will require us to change our practices or make changes in our portfolio in the future. These changes, if required, could materially adversely affect our business, results of operations and financial condition and our ability to make distributions to our stockholders, particularly if we make such changes in response to new or amended laws, regulations or ordinances in any state where we acquire a significant portion of our mortgage loans, or if such changes result in us being held responsible for any violations in the mortgage loan origination process. These loan modification programs, future legislative or regulatory actions, including possible amendments to the bankruptcy laws, which result in the modification of outstanding residential mortgage loans, as well as changes in the requirements necessary to qualify for refinancing mortgage loans with Fannie Mae, Freddie Mac or Ginnie Mae, may adversely affect the value of, and the returns on, our assets which, in turn, could materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Actions of the U.S. Government, including the U.S. Congress, the U.S. Federal Reserve, U.S. Treasury and other governmental and regulatory bodies, to stabilize or reform the financial markets and economy may not achieve their desired effect and may materially adversely affect our business, financial condition and results of operations and our ability to pay dividends to our stockholders

In response to turmoil in the financial markets beginning in 2007, the U.S. Government, including the U.S. Congress, U.S. Federal Reserve, U.S. Treasury and other governmental and regulatory bodies have taken a number of actions designed to stabilize and reform the financial markets and economy. For example, the Federal Reserve implemented three different parts of the Federal Reserve’s accommodative monetary policy that was designed to keep long-term interest rates at low levels. The most recent quantitative easing program, known as "QE3," involved the purchase by the Federal Reserve of an additional $40 billion of Agency RMBS and an additional $45 million of longer-term U.S. Treasury securities per month until key economic indicators showed sufficient signs of improvement.

Given indications that the U.S. economy had improved sufficiently, the Federal Reserve reduced the pace of its purchases beginning in December 2013 and ultimately ending QE3 in October 2014. In December 2015, for the first time since 2006, the Federal Reserve increased the target for the federal funds rate by 25 basis points and increased it by an additional 25 basis points again in December 2016. The Federal Reserve has indicated its expectations for additional rate hikes in 2017. Should the U.S. economy begin to indicate signs of deterioration, the Federal Reserve could decide to restart an asset purchase program or institute other measures designed to reduce interest rates. These measures could lead to a flattening in the yield curve, and increased prepayment rates (resulting from lower long-term interest rates, including mortgage rates), and a narrowing of our net interest margin.

There can be no assurance that, in the long term, these actions taken by the U.S. Government will improve the efficiency and stability of the financial markets or the economy. To the extent the financial markets do not respond favorably to any of these actions or such actions do not function as intended over the longer term, our business may be harmed. The U.S. Government, the U.S. Federal Reserve, the U.S. Treasury and other governmental and regulatory bodies may take additional actions in the future to address financial crises and stimulate the economy. We cannot predict whether or when such actions may occur, and such actions could have an adverse effect on our business, financial condition and results of operations and our ability to make distributions to our stockholders.

We could be subject to liability for potential violations of predatory lending laws, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our stockholders.

Residential mortgage loan originators and servicers are required to comply with various federal, state and local laws and regulations, including anti-predatory lending laws and laws and regulations imposing certain restrictions on requirements on high cost loans. Failure of residential mortgage loan originators or servicers to comply with these laws, to the extent any of their residential mortgage loans become part of our investment portfolio, could subject us, as an assignee or purchaser of the related residential mortgage loans, to monetary penalties and could result in the borrowers rescinding the affected residential mortgage loans. Lawsuits have been brought in various states making claims against assignees or purchasers of high cost loans for violations of state law. Named defendants in these cases have included numerous participants within the secondary mortgage market. If the loans are found to have been originated in violation of predatory or abusive lending laws, we could incur losses that would materially adversely affect our business.

The Dodd-Frank Act and regulations implementing such legislation have had a substantial impact on the mortgage industry and the RMBS markets; these regulations as well as new and pending regulations yet to be implemented under Dodd-Frank may have an adverse impact on our business, results of operations and financial condition.

On July 21, 2010, President Obama signed into law the Dodd-Frank Act, which has changed and continues to significantly change the regulation of financial institutions and the financial services industry, including the mortgage industry. The Dodd-Frank Act tasked many agencies with issuing a variety of new regulations, including rules related to mortgage origination, mortgage servicing, securitization transactions and derivatives. While a majority of the rulemaking requirements established by the Dodd-Frank Act have been finalized, a significant number of rulemakings remain in the proposal phase. Consequently, it is not possible to predict how additional regulation under the Dodd-Frank Act will affect our business, and there can be no assurance that new rules promulgated under the Dodd-Frank Act will not have an adverse effect on our business, results of operations and financial condition.

The Dodd-Frank Act created a new regulator, the CFPB, which is responsible for regulating the offering and provision of financial products and services for personal, family and household purposes. In addition to assuming many of the consumer financial protection functions exercised by other federal regulators under certain enumerated financial protection statutes, such as the Truth in Lending Act, or "TILA," the Real Estate Settlement Procedures Act, or "RESPA" and the Fair Credit Reporting Act, the CFPB was granted broad rulemaking and enforcement authority to protect consumers from unfair, deceptive or abusive practices. The CFPB has issued a series of final rules as part of ongoing efforts to effect reforms and create uniform standards for the mortgage lending and servicing industries. These new rules, many of which became effective recently, include requirements addressing how lenders must evaluate a consumer's ability to repay a mortgage loan, what specific communications must be made to consumers at various stages in the mortgage lending and servicing processes, how consumer account records must be maintained and how servicers must respond to written borrower requests, complaints and notices of errors. The rules also provide specific guidance relating to servicing delinquent loans, undertaking loss mitigation efforts and commencing foreclosure proceedings. The foregoing rules have led and will likely lead to increased costs to originate and service loans across the mortgage industry, and given their complexity, it is anticipated the originators, servicers and other mortgage industry participants will be exposed to greater regulatory scrutiny from federal and state regulators, and increased litigation and complaints from both consumers and government officials. We have incurred and expect in the future to incur ongoing operational and system costs as we build and maintain processes to ensure compliance with the rules and regulations applicable to us as well as to monitor compliance by our business partners and third-party service providers. Additional rules and regulations implemented by the CFPB could lead to changes in the way we conduct or business and increased costs of compliance, both of which may have an adverse impact on our business and financial condition.

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

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

- our charter provides that, subject to the rights of one or more classes or series of preferred stock to elect one or more directors, a director may be removed with or without cause only by the affirmative vote of holders of at least two-thirds of all votes entitled to be cast by our stockholders generally in the election of directors;

- our bylaws provide that only our Board of Directors shall have the authority to amend our bylaws;

- under our charter, our Board of Directors has authority to issue preferred stock from time to time, in one or more series and to establish the terms, preferences and rights of any such series, all without the approval of our stockholders;

- the Maryland Business Combination Act; and

- the Maryland Control Share Acquisition Act.

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

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

We have conducted and intend to continue to conduct our operations so as not to become regulated as an investment company under the Investment Company Act. We believe that there are a number of exclusions under the Investment Company Act that are applicable to us. To maintain the exclusion, the assets that we acquire are limited by the provisions of the Investment Company Act and the rules and regulations promulgated under the Investment Company Act. On August 31, 2011, the SEC published a concept release entitled "Companies Engaged in the Business of Acquiring Mortgages and Mortgage Related Instruments" (Investment Company Act Rel. No. 29778). This release suggests that the SEC may modify the exclusion relied upon by companies similar to us that invest in mortgage loans and mortgage-backed securities. If the SEC acts to narrow the availability of, or if we otherwise fail to qualify for, our exclusion, we could, among other things, be required either (a) to change the manner in which we conduct our operations to avoid being required to register as an investment company or (b) to register as an investment company, either of which could have a material adverse effect on our operations and the market price of our common stock.

Tax Risks Related to Our Structure

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

We have operated and intend to continue to operate so to qualify as a REIT for federal income tax purposes. Our continued qualification as a REIT will depend on our ability to meet various requirements concerning, among other things, the ownership of our outstanding stock, the nature of our assets, the sources of our income, and the amount of our distributions to our stockholders. In order to satisfy these requirements, we might have to forego investments we might otherwise make. Thus, compliance with the REIT requirements may hinder our investment performance. Moreover, while we intend to continue to operate so to qualify as a REIT for federal income tax purposes, given the highly complex nature of the rules governing REITs, there can be no assurance that we will so qualify in any taxable year.

If we fail to qualify as a REIT in any taxable year and we do not qualify for certain statutory relief provisions, we would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. We might be required to borrow funds or liquidate some investments in order to pay the applicable tax. Our payment of income tax would reduce our net earnings available for investment or distribution to stockholders. Furthermore, if we fail to qualify as a REIT and do not qualify for certain statutory relief provisions, we would no longer be required to make distributions to stockholders. Unless our failure to qualify as a REIT were excused under the federal income tax laws, we generally would be disqualified from treatment as a REIT for the four taxable years following the year in which we lost our REIT status.

REIT distribution requirements could adversely affect our liquidity.

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

We have made and intend to continue to make distributions to our stockholders to comply with the 90% distribution requirement and to avoid corporate income tax and the nondeductible excise tax. However, differences in timing between the recognition of REIT taxable income and the actual receipt of cash could require us to sell assets or to borrow funds on a short-term basis to meet the 90% distribution requirement and to avoid corporate income tax and the nondeductible excise tax.

Certain of our assets may generate substantial mismatches between REIT taxable income and available cash. Such 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 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.

Further, our lenders could require us to enter into negative covenants, including restrictions on our ability to distribute funds or to employ leverage, which could inhibit our ability to satisfy the 90% distribution requirement.

Dividends payable by REITs do not qualify for the reduced tax rates on dividend income from regular corporations.

The maximum U.S. federal income tax rate for dividends payable to domestic stockholders that are individuals, trust and estates is 20%. Dividends payable by REITs, however, are generally not eligible for the reduced rates. Although the reduced U.S. federal income tax rate applicable to dividend income from regular corporate dividends does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rate applicable to regular corporate dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common shares.

Complying with REIT requirements may cause us to forego or liquidate otherwise attractive investments.

To qualify as a REIT, we must continually satisfy various tests regarding the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our common stock. In order to meet these tests, we may be required to forego investments we might otherwise make. We may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution, and may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source of income or asset diversification requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our investment performance.

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Internal Revenue Code substantially limit our ability to hedge the RMBS in our investment portfolio. Our aggregate gross income from non-qualifying hedges, fees, and certain other non-qualifying sources cannot exceed 5% of our annual gross income. As a result, we might have to limit our use of advantageous hedging techniques or implement those hedges through a TRS. Any hedging income earned by a TRS would be subject to federal, state and local income tax at regular corporate rates. This could increase the cost of our hedging activities or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear.

Our ability to invest in and dispose of "to be announced" securities could be limited by our REIT status, and we could lose our REIT status as a result of these investments.

In connection with our investment in Agency IOs, we may purchase Agency RMBS through TBAs, or dollar roll transactions. In certain instances, rather than take delivery of the Agency RMBS subject to a TBA, we will dispose of the TBA through a dollar roll transaction in which we agree to purchase similar securities in the future at a predetermined price or otherwise, which may result in the recognition of income or gains. We account for dollar roll transactions as purchases and sales. The law is unclear regarding whether TBAs will be qualifying assets for the 75% asset test and whether income and gains from dispositions of TBAs will be qualifying income for the 75% gross income test.

Until such time as we seek and receive a favorable private letter ruling from the IRS, or we are advised by counsel that TBAs should be treated as qualifying assets for purposes of the 75% asset test, we will limit our investment in TBAs and any non-qualifying assets to no more than 25% of our assets at the end of any calendar quarter. Further, until such time as we seek and receive a favorable private letter ruling from the IRS or we are advised by counsel that income and gains from the disposition of TBAs should be treated as qualifying income for purposes of the 75% gross income test, we will limit our gains from dispositions of TBAs and any non-qualifying income to no more than 25% of our gross income for each calendar year. Accordingly, our ability to purchase Agency RMBS through TBAs and to dispose of TBAs, through dollar roll transactions or otherwise, could be limited.

Moreover, even if we are advised by counsel that TBAs should be treated as qualifying assets or that income and gains from dispositions of TBAs should be treated as qualifying income, it is possible that the IRS could successfully take the position that such assets are not qualifying assets and such income is not qualifying income. In that event, we could be subject to a penalty tax or we could fail to qualify as a REIT if (i) the value of our TBAs, together with our non-qualifying assets for the 75% asset test, exceeded 25% of our gross assets at the end of any calendar quarter or (ii) our income and gains from the disposition of TBAs, together with our non-qualifying income for the 75% gross income test, exceeded 25% of our gross income for any taxable year.

The failure of certain investments subject to a repurchase agreement to qualify as real estate assets would adversely affect our ability to qualify as a REIT.

We have entered and intend to continue to enter into repurchase agreements under which we will nominally sell certain of our investments to a counterparty and simultaneously enter into an agreement to repurchase the sold investments. We believe that for U.S. federal income tax purposes these transactions will be treated as secured debt and we will be treated as the owner of the investments that are the subject of any such agreement notwithstanding that such agreement may transfer record ownership of such investments to the counterparty during the term of the agreement. It is possible, however, that the IRS could successfully assert that we do not own the investments during the term of the repurchase agreement, in which case our ability to continue to qualify as a REIT could be adversely affected.

We could fail to continue to qualify as a REIT if the IRS successfully challenges our treatment of our mezzanine loans.

We currently own, and in the future may originate or acquire, mezzanine loans, which are loans secured by equity interests in an entity that directly or indirectly owns real property, rather than by a direct mortgage of the real property. In Revenue Procedure 2003-65, the IRS established a safe harbor under which loans secured by a first priority security interest in ownership interests in a partnership or limited liability company owning real property will be treated as real estate assets for purposes of the REIT asset tests, and interest derived from those loans will be treated as qualifying income for both the 75% and 95% gross income tests, provided several requirements are satisfied. Although Revenue Procedure 2003-65 provides a safe harbor on which taxpayers may rely, it does not prescribe rules of substantive tax law. Moreover, our mezzanine loans typically do not meet all of the requirements for reliance on the safe harbor. Consequently, there can be no assurance that the IRS will not challenge our treatment of such loans as qualifying real estate assets, which could adversely affect our ability to continue to qualify as a REIT. We have invested, and will continue to invest, in mezzanine loans in a manner that will enable us to continue to satisfy the REIT gross income and asset tests.

We may incur a significant tax liability as a result of selling assets that might be subject to the prohibited transactions tax if sold directly by us.

A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of assets held primarily for sale to customers in the ordinary course of business. There is a risk that certain loans that we are treating as owning for federal income tax purposes and property received upon foreclosure of these loans will be treated as held primarily for sale to customers in the ordinary course of business. Although we expect to avoid the prohibited transactions tax by contributing those assets to one of our TRSs and conducting the marketing and sale of those assets through that TRS, no assurance can be given that the IRS will respect the transaction by which those assets are contributed to our TRS. Even if those contribution transactions are respected, our TRS will be subject to federal, state and local corporate income tax and may incur a significant tax liability as a result of those sales.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common stock.

At any time, the U.S. federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be amended. We cannot predict when or if any new U.S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in, or any new, U.S. federal income tax law, regulation or administrative interpretation.

Item 1B. ***UNRESOLVED STAFF COMMENTS***

None.

Item 2. ***PROPERTIES***

The Company does not own any materially important physical properties; however, it does have residential homes (or real estate owned) that it acquires, from time to time, through or in lieu of foreclosures on mortgage loans. As of December 31, 2016 , our principal executive and administrative offices are located in leased space at 275 Madison Avenue, Suite 3200, New York, New York 10016. We also maintain an office in Charlotte, North Carolina.

Item 3. ***LEGAL PROCEEDINGS***

We are at times subject to various legal proceedings arising in the ordinary course of our business. As of the date of this report, 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, financial condition or cash flows.

Item 4. ***MINE SAFETY DISCLOSURES***

Not applicable.

PART II

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

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

Our common stock is traded on the NASDAQ Global Select Market under the trading symbol "NYMT". As of December 31, 2016 , we had 111,474,521 shares of common stock outstanding and as of December 31, 2016 , there were approximately 29 holders of record of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee name.

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

	Common Stock Prices			Cash Dividends		
	High	**Low**	**Quarter End**	**Declaration Date**	**Payment Date**	**Amount Per Share**
Year Ended December 31, 2016						
Fourth quarter	$ 6.95	$ 5.70	$ 6.60	12/15/2016	1/26/2017	0.24
Third quarter	6.55	5.87	6.02	9/15/2016	10/28/2016	0.24
Second quarter	6.62	4.64	6.10	6/16/2016	7/25/2016	0.24
First quarter	5.51	3.98	4.74	3/18/2016	4/25/2016	0.24

	Common Stock Prices			Cash Dividends		
	High	**Low**	**Quarter End**	**Declaration Date**	**Payment Date**	**Amount Per Share**
Year Ended December 31, 2015						
Fourth quarter	$ 6.01	$ 4.99	$ 5.33	12/16/2015	1/25/2016	0.24
Third quarter	7.80	5.49	5.49	9/18/2015	10/26/2015	0.24
Second quarter	8.04	7.48	7.48	6/18/2015	7/27/2015	0.27
First quarter	8.11	7.48	7.76	3/18/2015	4/27/2015	0.27

We intend to continue to pay quarterly dividends to holders of shares of our common stock. Future distributions will be at the discretion of the Board of Directors and will depend on our earnings and financial condition, maintenance of our REIT qualification, restrictions on making distributions under Maryland law and such other factors as our Board of Directors deems relevant.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

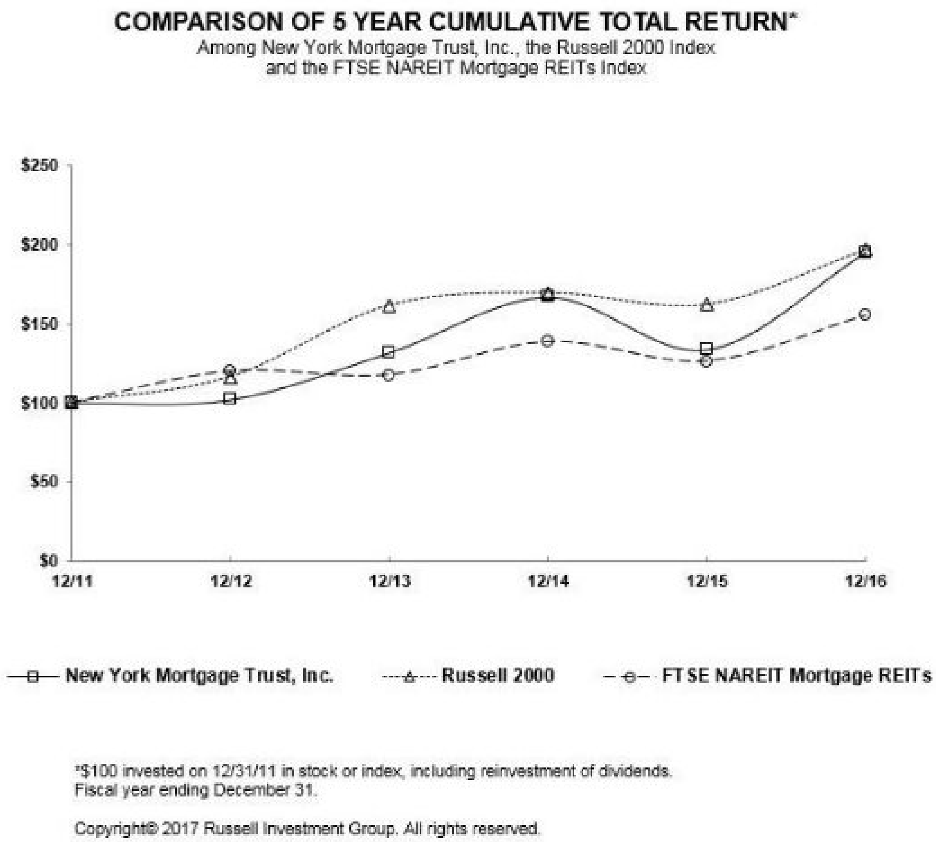
Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 31, 2016 with respect to compensation plans under which equity securities of the Company are authorized for issuance. The Company has no such plans that were not approved by security holders.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans
Equity compensation plans approved by security holders	—	$ —	326,663

Performance Graph

The following line graph sets forth, for the period from December 31, 2011 through December 31, 2016 , a comparison of the percentage change in the cumulative total stockholder return on the Company's common stock compared to the cumulative total return of the Russell 2000 Index and the FTSE National Association of Real Estate Investment Trusts Mortgage REIT ("FTSE NAREIT Mortgage REITs") Index. The graph assumes that the value of the investment in the Company's common stock and each of the indices were $100 as of December 31, 2011 .



The foregoing graph shall not be deemed incorporated by reference by any general statement incorporating by reference this Annual Report on Form 10-K into any filing under the Securities Act or under the Exchange Act, except to the extent we specifically incorporate this information by reference, and shall not otherwise by deemed filed under those acts.

Item 6. *SELECTED FINANCIAL DATA*

The following table sets forth our selected historical operating and financial data. The selected historical operating and financial data for the years ended December 31, 2016 , 2015 , 2014 , 2013 and 2012 have been derived from our historical financial statements.

The information presented below is only a summary and does not provide all of the information contained in our historical financial statements, including the related notes. You should read the information below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical financial statements, including the related notes (amounts in thousands, except per share data):

Selected Statement of Operations Data:

	For the Years Ended December 31,				
	2016	2015	2014	2013	2012
Interest income	$ 319,306	$ 336,838	$ 378,847	$ 291,727	$ 137,348
Interest expense	254,668	260,651	301,010	231,178	105,926
Net interest income	64,638	76,187	77,837	60,549	31,422
Other income	41,238	45,841	105,208	29,062	9,105
General, administrative and other expenses	35,221	39,480	40,459	19,917	11,427
Net income attributable to Company's common stockholders	$ 54,651	$ 67,023	$ 130,379	$ 65,387	$ 28,279
Per share basic income	$ 0.50	$ 0.62	$ 1.48	$ 1.11	$ 1.08
Per share diluted income	$ 0.50	$ 0.62	$ 1.48	$ 1.11	$ 1.08
Dividends declared per common share	$ 0.96	$ 1.02	$ 1.08	$ 1.08	$ 1.06
Weighted average shares outstanding-basic	109,594	108,399	87,867	59,102	26,067
Weighted average shares outstanding-diluted	109,594	108,399	87,867	59,102	26,067

Selected Balance Sheet Data:

	As of December 31,				
	2016	2015	2014	2013	2012
Investment securities, available for sale, at fair value	$ 818,976	$ 765,454	$ 885,241	$ 1,005,021	$ 1,105,870
Residential mortgage loans held in securitization trusts (net)	95,144	119,921	149,614	163,237	187,229
Distressed residential mortgage loans (net)	503,094	558,989	582,697	264,434	60,459
Multi-family loans held in securitization trusts, at fair value	6,939,844	7,105,336	8,365,514	8,111,022	5,442,906
Investment in unconsolidated entities	79,259	87,662	49,828	14,849	136
Mezzanine loan and preferred equity investments	100,150	44,151	24,907	13,209	3,522
Total assets (1)	8,951,631	9,056,242	10,540,005	9,898,675	7,160,401
Financing arrangements, portfolio investments	773,142	577,413	651,965	791,125	889,134
Financing arrangements, residential mortgage loans	192,419	212,155	238,949	—	—
Residential collateralized debt obligations	91,663	116,710	145,542	158,410	180,979
Multi-family collateralized debt obligations, at fair value	6,624,896	6,818,901	8,048,053	7,871,020	5,319,573
Securitized debt	158,867	116,541	232,877	304,964	117,591
Subordinated debentures	45,000	45,000	45,000	45,000	45,000
Total liabilities (1)	8,100,469	8,175,716	9,722,078	9,418,009	6,838,395
Total stockholders' equity	$ 851,162	$ 880,526	$ 817,927	$ 480,666	$ 322,006

(1) Our consolidated balance sheets include assets and liabilities of Consolidated VIEs, as the Company is the primary beneficiary of these VIEs. As of December 31, 2016 , December 31, 2015 and December 31, 2014 , assets of the Company's Consolidated VIEs totaled $7,330,872 , $7,412,093 and $8,847,078 , respectively, and the liabilities of these Consolidated VIEs totaled $6,902,536 , $7,077,175 and $8,457,034 , respectively. See Note 9 of our consolidated financial statements included in this Annual Report for further discussion.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

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

Our investment portfolio includes residential mortgage loans, including second mortgages and loans sourced from distressed markets, non-Agency RMBS, multi-family CMBS, preferred equity and joint venture equity investments in, and mezzanine loans to, owners of multi-family properties, equity and debt securities issued by entities that invest in residential and commercial real estate and Agency RMBS. Subject to maintaining our qualification as a REIT, we also may opportunistically acquire and manage various other types of mortgage-related and financial assets that we believe will compensate us appropriately for the risks associated with them, including, without limitation, collateralized mortgage obligations and securities issued by newly originated residential securitizations, including credit sensitive securities from these securitizations.

In recent years, we have transitioned our portfolio to one focused increasingly on residential and multi-family credit assets, which we believe will benefit from improving credit metrics. As part of our greater focus on credit assets, we acquired 100% of RiverBanc LLC, or RiverBanc, an investment management firm that managed over $400 million of direct and indirect investments in multi-family apartment properties on behalf of both public and private institutional investors, including our Company, as well as ownership interests in certain other RiverBanc-managed entities. Consistent with this approach to capital allocation, we acquired an additional $314.7 million of residential and multi-family credit assets during the year ended December 31, 2016 , while reducing our net capital allocated to Agency RMBS and Agency IO by approximately $47.9 million .

We seek to achieve a balanced and diverse funding mix to finance our assets and operations. We currently rely primarily on a combination of short-term borrowings, such as repurchase agreements with terms typically of 30 days, longer term repurchase agreement borrowing with terms between one year and 18 months and longer term structured financings, such as securitizations, with terms longer than one year.

We internally manage a portion of our portfolio, including Agency ARMs, Agency fixed-rate RMBS, non-Agency RMBS, residential securitized loans, second mortgage loans, multi-family CMBS and preferred equity and joint venture equity investments in, and mezzanine loans to, owners of multi-family properties. In addition, as part of our investment strategy, we also utilize certain external investment managers to manage specific asset types that we target or own. Accordingly, Headlands Asset Management, LLC, or Headlands, provides investment management services with respect to our investments in distressed residential mortgage loans and The Midway Group, L.P., or Midway, provides investment management services with respect to our investments in Agency IOs.

Significant Events in 2016

- We generated net income attributable to common stockholders in 2016 of $54.7 million , or $ 0.50 per share.
- We declared aggregate 2016 dividends of $0.96 per common share.
- We issued and sold 1,905,206 shares of common stock under our at-the-market offering programs, resulting in net proceeds to us of $12.8 million .
- On May 16, 2016, we completed the acquisition of the outstanding common equity interests in RiverBanc LLC ("RiverBanc"), RB Multifamily Investors LLC ("RBMI") and RB Development Holding Company LLC ("RBDHC") that were not previously owned by us. By acquiring a 100% ownership interest in RiverBanc, we internalized the management of our multi-family investments. We expect to achieve certain synergies related to processes and personnel as a result of this internalization. RBMI and RBDHC are investment vehicles managed by RiverBanc. In connection with the acquisitions, on May 16, 2016, Kevin M. Donlon, the founder and Chief Executive Officer of RiverBanc, was named President of the Company.
- We repaid the outstanding notes from our 2013 distressed residential mortgage loans securitizations, which had an outstanding principal balance of $31.9 million at the time of repayment. The notes were issued in 2013 in an aggregate original principal amount of $138.3 million.
- We repaid $55.9 million of outstanding notes from our November 2013 collateralized recourse financing, which was comprised of securities issued from three separate Freddie Mac-sponsored multi-family K-Series securitizations. In connection with the repayment of the notes, $181.9 million of securities serving as collateral for the notes were transferred back to the Company.
- We closed on a securitization transaction that involved the issuance and sale of $177.5 million of Class A Notes representing beneficial ownership in a pool of performing and re-performing seasoned mortgage loans. We retained $25.5 million of Class M Notes and a $79.8 million equity certificate issued by the securitization entity. We also hold 5% of the Class A Notes issued. The sale of the remaining Class A Notes resulting in gross proceeds to us of approximately $167.7 million.
- We repaid all of our outstanding FHLBI advances, which was funded primarily through repurchase agreement financing.
- We funded $44.3 million of preferred equity investments in owners of multi-family properties and purchased $82.1 million of multi-family CMBS securities.
- We sold residential mortgage loans, including distressed residential mortgage loans, with a carrying value of approximately $74.9 million for aggregate proceeds of approximately $91.6 million , which resulted in a net realized gain, before income taxes, of approximately $16.7 million .
- We acquired residential mortgage loans, including distressed residential mortgage loans and second mortgages, for an aggregate purchase cost of approximately $82.2 million .
- Purchased approximately $188.3 million of non-Agency RMBS backed by re-performing and non-performing loans during the year.

Key Fourth Quarter 2016 Developments

Repayment of Outstanding Notes from 2013 Collateralized Recourse Financing

In October 2016, the Company repaid $55.9 million of outstanding notes from its November 2013 collateralized recourse financing, which was comprised of securities issued from three separate Freddie Mac-sponsored multi-family K-Series securitizations. In connection with the repayment of the notes, $181.9 million of securities serving as collateral on the notes were transferred back to the Company.

Fourth Quarter 2016 Common Stock and Preferred Stock Dividends

On December 15, 2016 , our Board of Directors declared a regular quarterly cash dividend of 0.24 per common share for the quarter ended December 31, 2016 . The dividend was paid on January 26, 2017 to our common stockholders of record as of December 27, 2016 .

On December 15, 2016 , our Board of Directors declared a Series B Preferred Stock quarterly cash dividend of $0.484375 per share of Series B Preferred Stock. The dividend was paid on January 15, 2017 to our preferred stockholders of record as of January 1, 2017 .

On December 15, 2016 , our Board of Directors declared a Series C Preferred Stock quarterly cash dividend of $0.4921875 per share of Series C Preferred Stock. The dividend was paid on January 15, 2017 to our preferred stockholders of record as of January 1, 2017 .

Subsequent Events

On January 23, 2017 , the Company completed the issuance and sale to Nomura Securities International, Inc. of $138.0 million aggregate principal amount of its 6.25% Senior Convertible Notes due 2022 (the "Convertible Notes"), including $18.0 million aggregate principal amount of the Convertible Notes issued upon exercise of an over-allotment option, in an underwritten public offering. The net proceeds to the Company from the sale of the Convertible Notes, after deducting the underwriter's discounts and commissions and estimated offering expenses, is approximately $127.3 million .

The Convertible Notes were issued at 96% of the principal amount, bear interest at a rate equal to 6.25% per year, payable semi-annually in arrears on January 15 and July 15 of each year, commencing July 15, 2017, and are expected to mature on January 15, 2022 , unless earlier converted or repurchased. The Company does not have the right to redeem the Convertible Notes prior to maturity and no sinking fund is provided for the Convertible Notes. Holders of the Convertible Notes will be permitted to convert their Convertible Notes into shares of the Company's common stock at any time prior to the close of business on the business day immediately proceeding January 15, 2022 . The conversion rate for the Convertible Notes, which is subject to adjustment upon the occurrence of certain specified events, initially equals 142.7144 shares of the Company’s common stock per $1,000 principal amount of Convertible Notes, which is equivalent to a conversion price of approximately $7.01 per share of the Company’s common stock, based on a $1,000 principal amount of the Convertible Notes. The Company estimates the all in cost of the Convertible Notes to be approximately 8.14%.

Current Market Conditions and Commentar y

The housing market, credit conditions and the interest rate environment each have a significant impact on our business. The 2016 fiscal year was marked by significant volatility in the equity and energy markets during the first part of the year, with markets stabilizing and then rallying in the second half of the year. In 2016, economic indicators have suggested that the global economy is expanding again, buoyed in large part by a resurgent China, improved global industrial activity, continued, albeit moderate, economic expansion in the United States and signs that inflation is moving closer to expected levels. Interest rates continued to experience significant swings in 2016, as evidenced by an approximately 100 basis points increase in the ten-year U.S. Treasury Note during the fourth quarter of 2016. The U.S. election results in November 2016 boosted hopes for greater economic growth in the U.S. and abroad in 2017 and future years, but the wide distribution of potential policy outcomes that may result from the new U.S. administration poses uncertainty and may result in increased market volatility.

In light of market conditions in 2016 and what we expect to be a continued difficult hedging and earnings environment for Agency RMBS, we determined in 2016 to transition our portfolio to one increasingly focused on multi-family and residential credit assets, purchasing approximately $396.9 million of credit sensitive assets, while reducing our capital allocation to Agency RMBS, including Agency IOs, by 26% during the year. We intend to continue this portfolio transition in 2017. The market conditions discussed below significantly influence our investment strategy and results.

General. The U.S. economy grew at a slower pace in 2016 as compared to 2015, with real gross domestic product (“GDP”) expanding by 1.6% in 2016 versus 2.6% in 2015, again performing below Federal Reserve policymakers’ forecasts at the outset of the 2016 fiscal year. According to data from the Bureau of Economic Analysis, the deceleration in real GDP growth from 2015 to 2016 was influenced by a downturn in private inventory investment, a downturn in nonresidential fixed investment, and decelerations in residential fixed investment and in state and local government spending, among other things. According to the minutes of the Federal Reserve’s December 2016 meeting, Federal Reserve policymakers expect slightly higher GDP growth in 2017 and 2018, with the central tendency projections for GDP growth ranging from 1.9% to 2.3% for 2017 and 1.8% to 2.2% for 2018.

The labor market continued to display signs of improvement in 2016. According to the U.S. Department of Labor, the U.S. unemployment rate fell from 5.0% as of the end of December 2015 to 4.7% as of the end of December 2016, while total nonfarm payroll employment posted an average monthly increase of 187,000 jobs in 2016, down from an average monthly increase of 221,000 jobs in 2015. Data from the U.S. Department of Labor in January 2017 indicated that the U.S. unemployment rate showed little change from 2016 at 4.8%, while total nonfarm payroll employment added 227,000 jobs in January 2017.

Federal Reserve and Monetary Policy. In December 2016, in view of realized and expected labor market conditions and inflation, the Federal Reserve announced that it would raise the target range for the federal funds rate by 25 basis points to 0.50% to 0.75% and has indicated its expectations for additional rate hikes in 2017, although the Federal Reserve opted not to increase the rate at its January 2017 meeting. The Federal Reserve last increased the target range for the federal funds rate in December 2015. The Federal Reserve indicated that in determining the size and timing of future adjustments to the target range for the federal funds rate, it will assess “realized and expected economic conditions relative to its objectives of maximum employment and 2% inflation." Significant uncertainty with respect to the speed at which the Federal Reserve will tighten its monetary policy continues to persist and may result in significant volatility in 2017 and future periods. Greater uncertainty frequently leads to wider asset spreads or lower prices and higher hedging costs.

Single-Family Homes and Residential Mortgage Market. The residential real estate market continued to display signs of growth during 2016. Data released by S&P Indices for its S&P/Case-Shiller Home Price Indices for November 2016 showed that, on average, home prices increased 5.3% for the 20-City Composite over November 2015. In addition, according to data provided by the U.S. Department of Commerce, privately-owned housing starts for single family homes averaged a seasonally adjusted annual rate of 830,000 during the fourth quarter of 2016, which was 8.1% above the fourth quarter 2015 rate of 768,000. We expect the single-family residential real estate market to continue to improve modestly in the near term. We expect that improving single family housing fundamentals will have a positive impact on the overall credit profile of our existing portfolio of distressed residential loans.

Multi-family Housing. Apartments and other residential rental properties remain one of the better performing segments of the commercial real estate market. According to data provided by the U.S. Department of Commerce, starts on multi-family homes containing five units or more averaged a seasonally adjusted annual rate of 377,000 during the fourth quarter of 2016 and 373,000 for the full year 2016, as compared to 410,000 for the full year 2015. Moreover, even with the supply expansion in recent years, vacancy trends in the multi-family sector appear to remain stable. According to the Multifamily Vacancy Index ("MVI"), which is produced by the National Association of Home Builders and surveys the multifamily housing industry's perception of vacancies, the MVI was at 42 for the second quarter of 2016, up from 39 for the first quarter of 2016, the highest score since the second quarter of 2013, but still largely in-line with index scores over the prior year. Strength in the multi-family housing sector has contributed to valuation improvements for multi-family properties and, in turn, many of the multi-family CMBS that we own, although those gains have slowed over the past year.

Credit Spreads. Credit spreads generally tightened throughout much of 2016 and this had a positive impact on the value of many of our credit sensitive assets while also resulting in a more challenging current return environment for new investment in many of these asset classes. Tightening credit spreads generally increase the value of many of our credit sensitive assets while widening credit spreads generally decrease the value of these assets.

Financing markets. During 2016, the bond market again experienced a significant amount of volatility with the closing yield of the ten-year U.S. Treasury Note trading between 1.36% and 2.60%, settling at 2.44% at December 31, 2016. During the second half of 2016, the Treasury curve steepened with the spread between the 2-Year U.S. Treasury yield and the 10-Year U.S. Treasury yield closing to 126 basis points, up 37 basis points from June 30, 2016. This spread is important as it is indicative of opportunities for investing in levered assets.

Developments at Fannie Mae and Freddie Mac. Payments on the Agency ARMs and Agency fixed-rate RMBS in which we invest are guaranteed by Fannie Mae and Freddie Mac. In addition, although not guaranteed by Freddie Mac, all of our multi-family CMBS has been issued by securitization vehicles sponsored by Freddie Mac and the Agency IOs we invest in are issued by Fannie Mae, Freddie Mac or Ginnie Mae. As broadly publicized, Fannie Mae and Freddie Mac are presently under federal conservatorship as the U.S. Government continues to evaluate the future of these entities and what role the U.S. Government should continue to play in the housing markets in the future. Since being placed under federal conservatorship, there have been a number of proposals introduced, both from industry groups and by the U.S. Congress, relating to changing the role of the U.S. government in the mortgage market and reforming or eliminating Fannie Mae and Freddie Mac. It remains unclear how the U.S. Congress will move forward on such reform at this time and what impact, if any, this reform will have on mortgage REITs. See "Item 1A. Risk Factors-Risks Related to Our Business and Our Company-Changes in laws and regulations affecting the relationship between Fannie Mae and Freddie Mac and the U.S. government may adversely affect our business."

Significant Estimates and Critical Accounting Policies

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

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

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

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

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

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

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

The Company's valuation methodologies are described in "Note 16 – Fair Value of Financial Instruments" included in Item 8 of this Annual Report on Form 10-K.

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

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

Loan Consolidation Reporting Requirement for Certain Multi-Family K-Series Securitizations – As of December 31, 2016 , we owned 100% of the first loss tranche securities of the “Consolidated K-Series.” The Consolidated K-Series collectively represents, as of December 31, 2016 and December 31, 2015 , five separate Freddie Mac sponsored multi-family loan K-Series securitizations, of which we, or one of our special purpose entities, or SPEs, own the first loss tranche PO securities and certain IO securities.

We determined that the Consolidated K-Series were VIEs and that we are the primary beneficiary of the Consolidated K-Series. As a result, we are required to consolidate the Consolidated K-Series’ underlying multi-family loans including their liabilities, income and expenses in our consolidated financial statements. We have elected the fair value option on the assets and liabilities held within the Consolidated K-Series, which requires that changes in valuations in the assets and liabilities of the Consolidated K-Series will be reflected in our consolidated statement of operations.

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

Acquired Distressed Residential Mortgage Loans – Acquired distressed residential mortgage loans that have evidence of deteriorated credit quality at acquisition are accounted for under Accounting Standards Codification (“ASC”) 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality* ("ASC 310-30"). Management evaluates whether there is evidence of credit quality deterioration as of the acquisition date using indicators such as past due or modified status, risk ratings, recent borrower credit scores and recent loan-to-value percentages. Acquired distressed residential mortgage loans are recorded at fair value at the date of acquisition, with no allowance for loan losses. Under ASC 310-30, the acquired loans may be aggregated and accounted for as a pool of loans if the loans being aggregated have common risk characteristics. A pool is accounted for as a single asset with a single composite interest rate and an expectation of aggregate cash flows. Once a pool is assembled, it is treated as if it was one loan for purposes of applying the accounting guidance.

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

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

Business Combinations - The Company evaluates each purchase transaction to determine whether the acquired assets meet the definition of a business. The Company accounts for business combinations by applying the acquisition method in accordance with ASC 805, *Business Combinations* . Transaction costs related to acquisition of a business are expensed as incurred and excluded from the fair value of consideration transferred. The identifiable assets acquired, liabilities assumed and non-controlling interests, if any, in an acquired entity are recognized and measured at their estimated fair values. The excess of the fair value of consideration transferred over the fair values of identifiable assets acquired, liabilities assumed and non-controlling interests, if any, in an acquired entity, net of fair value of any previously held interest in the acquired entity, is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets and liabilities.

Contingent consideration is classified as a liability or equity, as applicable. Contingent consideration in connection with the acquisition of a business is measured at fair value on acquisition date, and unless classified as equity, is remeasured at fair value each reporting period thereafter until the consideration is settled, with changes in fair value included in net income.

Net cash paid to acquire a business is classified as investing activities on the accompanying consolidated statements of cash flows.

Recent Accounting Pronouncements

A discussion of recent accounting pronouncements and the possible effects on our financial statements is included in “Note 2 — Summary of Significant Accounting Policies” included in Item 8 of this Annual Report on Form 10-K.

Capital Allocation

The following tables set forth our allocated capital by investment type at December 31, 2016 and December 31, 2015, respectively (dollar amounts in thousands):

At December 31, 2016 :

	Agency RMBS [1]	Agency IOs	Multi-Family [2]	Distressed Residential [3]	Residential Securitized Loans [4]	Other [5]	Total
Carrying value	$ 441,472	$ 87,778	$ 628,522	$ 671,272	$ 95,144	$ 32,215	$ 1,956,403
Liabilities:							
Callable [6]	(391,707)	(60,862)	(206,824)	(306,168)	—	—	(965,561)
Non-callable	—	—	(28,332)	(130,535)	(91,663)	(45,000)	(295,530)
Hedges (Net) [7]	2,500	5,417	—	—	—	—	7,917
Cash [8]	4,415	39,673	3,687	9,898	—	75,725	133,398
Goodwill	—	—	—	—	—	25,222	25,222
Other	3,166	4,874	(2,652)	13,436	890	(30,401)	(10,687)
Net capital allocated	$ 59,846	$ 76,880	$ 394,401	$ 257,903	$ 4,371	$ 57,761	$ 851,162
% of capital allocated	7.0%	9.0%	46.4%	30.3%	0.5%	6.8%	100.0%

(1) Includes both Agency ARMs and Agency fixed-rate RMBS.
(2) The Company determined it is the primary beneficiary of the Consolidated K-Series and has consolidated the Consolidated K-Series into the Company's financial statements. A reconciliation to our financial statements as of December 31, 2016 follows:

Multi-Family loans held in securitization trusts, at fair value	$ 6,939,844
Multi-Family CDOs, at fair value	(6,624,896)
Net carrying value	314,948
Investment securities available for sale, at fair value	126,442
Total CMBS, at fair value	441,390
Mezzanine loan, preferred equity investments and investments in unconsolidated entities	169,678
Real estate under development	17,454
Financing arrangements	(206,824)
Securitized debt	(28,332)
Other	1,035
Net Capital in Multi-Family [a]	$ 394,401

[a] Net Capital in Multi-Family includes $3.1 million of non-controlling interest.

(3) Includes $503.1 million of distressed residential loans and $162.1 million of non-Agency RMBS backed by re-performing and non-performing loans.
(4) Represents our residential mortgage loans held in securitization trusts. We securitized these loans in 2005.
(5) Other includes investments in unconsolidated entities amounting to $9.7 million and mortgage loans held for sale and mortgage loans held for investment totaling $21.3 million . Mortgage loans held for sale and mortgage loans held for investment are included in the Company's accompanying consolidated balance sheet in receivables and other assets. Other non-callable liabilities consist of $45 million in subordinated debentures.
(6) Includes repurchase agreements.
(7) Includes derivative assets, derivative liabilities, payable for securities purchased and restricted cash posted as margin.
(8) Includes $35.6 million held in overnight deposits in our Agency IO portfolio to be used for trading purposes. These deposits are included in the Company's accompanying consolidated balance sheet in receivables and other assets.

At December 31, 2015 :

	Agency RMBS (1)	Agency IOs	Multi-Family (2)	Distressed Residential (3)	Residential Securitized Loans (4)	Other (5)	Total
Carrying value	$ 547,745	$ 175,408	$ 450,228	$ 562,303	$ 119,921	$ 15,184	$ 1,870,789
Liabilities:							
Callable (6)	(489,253)	(88,160)	—	(214,490)	—	—	(791,903)
Non-callable	—	—	(83,242)	(33,299)	(116,710)	(45,000)	(278,251)
Hedges (Net) (7)	2,997	2,623	—	—	—	—	5,620
Cash (8)	5,477	13,663	525	551	—	56,213	76,429
Other	9,311	4,799	(2,814)	12,972	1,187	(27,613)	(2,158)
Net capital allocated	$ 76,277	$ 108,333	$ 364,697	$ 328,037	$ 4,398	$ (1,216)	$ 880,526
% of capital allocated	8.7%	12.3%	41.4%	37.3%	0.5%	(0.1)%	

(1) Includes both Agency ARMs and Agency fixed-rate RMBS.
(2) The Company determined it is the primary beneficiary of the Consolidated K-Series and has consolidated the Consolidated K-Series into the Company's financial statements. A reconciliation to our financial statements as of December 31, 2015 follows:

Multi-Family loans held in securitization trusts, at fair value	$ 7,105,336
Multi-Family CDOs, at fair value	(6,818,901)
Net carrying value	286,435
Investment securities available for sale, at fair value held in securitization trusts	40,734
Total CMBS, at fair value	327,169
Mezzanine loan, preferred equity investments and investments in unconsolidated entities	123,059
Securitized debt	(83,871)
Other	(1,660)
Net Capital in Multi-Family	$ 364,697

(3) Includes mortgage loans held for sale with a carrying value of $3.3 million that is included in the Company's accompanying consolidated balance sheet in receivables and other assets.
(4) Represents our residential mortgage loans held in securitization trusts. We securitized these loans in 2005.
(5) Other includes non-Agency RMBS and mortgage loans held for sale and mortgage loans held for investment. Other non-callable liabilities consist of $45 million in subordinated debentures.
(6) Includes repurchase agreements and FHLBI advances.
(7) Includes derivative assets, derivative liabilities, payable for securities purchased and restricted cash posted as margin.
(8) Includes $11.6 million held in overnight deposits in our Agency IO portfolio to be used for trading purposes. These deposits are included in the Company's accompanying consolidated balance sheet in receivables and other assets.

Results of Operations

Comparison of the Year Ended December 31, 2016 to the Year Ended December 31, 2015

For the year ended December 31, 2016 , we reported net income attributable to the Company's common stockholders of $ 54.7 million , as compared to net income attributable to the Company's common stockholders of $67.0 million for the prior year. The main components of the change in net income for the year ended December 31, 2016 as compared to the prior year are detailed in the following table (amounts in thousands, except per share data):

	For the Years Ended December 31,					
	2016		2015		$ Change	
Net interest income	$	64,638	$	76,187	$	(11,549)
Total other income	$	41,238	$	45,841	$	(4,603)
Total general, administrative and other expenses	$	35,221	$	39,480	$	(4,259)
Income from operations before income taxes	$	70,655	$	82,548	$	(11,893)
Income tax expense	$	3,095	$	4,535	$	(1,440)
Net income attributable to Company	$	67,551	$	78,013	$	(10,462)
Preferred stock dividends	$	12,900	$	10,990	$	1,910
Net income attributable to Company's common stockholders	$	54,651	$	67,023	$	(12,372)
Basic income per common share	$	0.50	$	0.62	$	(0.12)
Diluted income per common share	$	0.50	$	0.62	$	(0.12)

Net Interest Income

The decrease in net interest income of approximately $11.5 million for the year ended December 31, 2016 as compared to the corresponding period in 2015 was driven by:

- A decrease in net interest income of approximately $4.2 million in our Agency IO portfolio in 2016 due to higher prepayment experience on these assets and an increase in financing costs in 2016.
- A decrease in net interest income of approximately $3.1 million in our Agency ARM and Agency fixed-rate RMBS portfolio due to a decrease in average interest earning assets in this portfolio and higher prepayment rates. During 2016, we determined to begin reducing the amount of capital we allocate to our Agency RMBS strategy.
- An increase in net interest income of approximately $7.0 million in our multi-family portfolio due to an increase in average interest earning assets attributable to new multi-family preferred equity investments and CMBS purchased during the 2016 period. Also contributing to higher net interest income in this portfolio in 2016 was an increase in the weighted average yield on the interest earning assets in our multi-family portfolio during the 2016 period and lower average cost of funds during the period as compared to the corresponding period in 2015.
- A decrease in net interest income of approximately $0.7 million in our residential securitized loan portfolio due to an increase in financing costs and a decrease in average interest earning assets in this portfolio in 2016.
- A decrease in net interest income of approximately $4.1 million in our distressed residential portfolio due to a decrease in net interest income on our distressed residential mortgage loans of approximately $6.5 million partially offset by an increase in net interest income on our non-Agency RMBS of approximately $2.4 million . Net interest income on our distressed residential mortgage loans decreased due to seasoning of the portfolio resulting in less accretion of discount in the 2016 period as compared to the corresponding period in 2015 and an increase in financing costs in 2016. Net interest income on our non-Agency RMBS increased due to an increase in average interest earning assets in this portfolio in 2016.
- The partial year contribution of approximately $6.5 million of net interest income in 2015 by certain CLO securities. The CLO securities were sold during the second quarter of 2015.

Other Income

Total other income decreased by $4.6 million for the year ended December 31, 2016 as compared to the prior year. The change was primarily driven by:

- A decrease in realized gains on distressed residential mortgage loans of $16.4 million due to decreased sales activity in 2016 as compared to the prior year.
- A decline in net unrealized gains on multi-family loans and debt held in securitization trusts of $9.3 million for the year ended December 31, 2016 as compared to the prior year. Credit spreads on our Freddie Mac K-Series securities tightened during the year ended December 31, 2015 (relative to credit spreads at December 31, 2014), which in turn drove valuations on these securities higher in 2015, while credit spreads remained relatively stable in 2016, thereby resulting in lower unrealized gain for the 2016 period.
- An increase in net unrealized gains and an increase in realized gain on investment securities and related hedges of $9.7 million and $1.0 million , respectively, for the year ended December 31, 2016 as compared to the prior year, primarily related to improved hedging performance in our Agency IO portfolio.
- An increase in other income of $9.7 million in the 2016 period, which is primarily due to gains recognized as a result of the Company's re-measurement of its previously held membership interests in RiverBanc, RBMI, and RBDHC in accordance with U.S. GAAP. In addition, other income increased due to income recognized from investments in unconsolidated entities made during the 2016 fiscal year.

Comparative General, Administrative and Other Expenses *(dollar amounts in thousands)*

	For the Years Ended December 31,		
General, Administrative and Other Expenses:	**2016**	**2015**	**$ Change**
Salaries, benefits and directors’ compensation	$ 8,795	$ 4,661	$ 4,134
Professional fees	2,877	2,542	335
Base management and incentive fees	9,261	19,188	(9,927)
Expenses on distressed residential mortgage loans	10,714	10,364	350
Other	3,574	2,725	849
Total	$ 35,221	$ 39,480	$ (4,259)

For the year ended December 31, 2016 as compared to the prior year, general, administrative and other expenses decreased by $4.3 million . Salaries, benefits and directors’ compensation was driven higher during the 2016 period as compared to prior year primarily due to the increase in employee headcount resulting from the RiverBanc acquisition, which was offset by a $9.9 million decline in base management and incentive fees during the 2016 period as compared to the prior year. The decline in base management and incentive fees was due in part to the termination of the RiverBanc management agreement on May 17, 2016 and lower incentive fees earned in 2016. In addition, management fees on our distressed residential loan strategy decreased due to a change in methodology for calculating base management fees from 1.5% of assets under management to 1.5% of invested capital beginning in the third quarter of 2016.

Comparison of the Year Ended December 31, 2015 to the Year Ended December 31, 2014

For the year ended December 31, 2015 , we reported net income attributable to common stockholders of $ 67.0 million , as compared to net income attributable to common stockholders of $130.4 million for the prior year. The main components of the change in net income for the year ended December 31, 2015 as compared to the prior year are detailed in the following table (dollar amounts in thousands, except per share data):

	For the Years Ended December 31,		
	2015	2014	$ Change
Net interest income	$ 76,187	$ 77,837	$ (1,650)
Total other income	$ 45,841	$ 105,208	$ (59,367)
Total general, administrative and other expenses	$ 39,480	$ 40,459	$ (979)
Income from continuing operations before income taxes	$ 82,548	$ 142,586	$ (60,038)
Income tax expense	$ 4,535	$ 6,395	$ (1,860)
Net income attributable to Company	$ 78,013	$ 136,191	$ (58,178)
Preferred stock dividends	$ 10,990	$ 5,812	$ 5,178
Net income attributable to Company's common stockholders	$ 67,023	$ 130,379	$ (63,356)
Basic income per common share	$ 0.62	$ 1.48	$ (0.86)
Diluted income per common share	$ 0.62	$ 1.48	$ (0.86)

Net Interest Income

The decrease in net interest income of approximately $1.7 million for the year ended December 31, 2015 as compared to the corresponding period in 2014 was driven by:

- A decrease in net interest income of approximately $7.8 million and $3.4 million in our Agency IO and Agency ARM and Agency fixed-rate RMBS portfolios, respectively, in 2015 due to a decrease in average interest earning assets in these portfolios and higher prepayment experience on these assets in 2015.

- A decrease in net interest income of approximately $2.6 million in our multi-family portfolio in 2015 due to a reduction in this portfolio's average interest earning assets. We sold two multi-family CMBS PO and two IO securities in the third and fourth quarters of 2014, one multi-family CMBS PO security in the first quarter of 2015, and multiple multi-family CMBS IO securities in the third quarter of 2015.

- A decrease in net interest income of approximately $3.2 million in 2015 due to the sale of CLO securities in the second quarter of 2015.

- A decrease in net interest income of approximately $0.6 million in our residential securitized loan portfolio due to a decrease in average interest earning assets in this portfolio in 2015.

- An increase in net interest income of approximately $16.0 million in our distressed residential loan portfolio due to an increase in average interest earning assets in this portfolio in 2015. Average interest earning assets in this portfolio increased to $572.8 million for the year ended December 31, 2015 as compared to $249.0 million for the prior year.

Other Income

Total other income decreased by $59.4 million for the year ended December 31, 2015 as compared to the prior year. The change was primarily driven by:

- A decrease in realized gain on investment securities and related hedges of $46.7 million in 2015. Realized gains in the 2014 period were significantly higher than realized gains in the 2015 period due to the sale of certain multi-family CMBS investments in the third and fourth quarters of 2014 that resulted in realized gain amounting to $39.1 million. In addition, our Agency IO portfolio generated a $10.9 million increase in realized losses on its derivative instruments for the year ended December 31, 2015 . These changes were partially offset by realized gains recognized on the sale of the Company's CLO securities in 2015 amounting to $3.2 million.

- A decrease in net unrealized loss on investment securities and related hedges of $5.0 million for the year ended December 31, 2015 , primarily related to our Agency IO portfolio.

- A decline in net unrealized gains on multi-family loans and debt held in securitization trusts of $44.6 million in 2015 due to more moderate credit spread tightening in 2015 as compared to significant tightening in 2014.

- An increase in realized gains on distressed residential mortgage loans of $16.9 million in 2015 due primarily to the sale of two pools of distressed residential mortgage loans in September 2015 with a carrying value of $120.3 million for aggregate proceeds of approximately $144.2 million.

- An increase in gain on de-consolidation of $1.5 million in 2015 due to the sale in the first quarter of 2015 of a first loss PO security issued by a single Freddie Mac-sponsored securitization included in the Consolidated K-Series.

- An increase in other income of $4.6 million in 2015, which is primarily due to an increase in income from our common and preferred equity ownership interests in RBMI.

Comparative General, Administrative and Other Expenses *(dollar amounts in thousands)*

	For the Years Ended December 31,		
General, Administrative and Other Expenses:	**2015**	**2014**	**$ Change**
Salaries, benefits and directors' compensation	$ 4,661	$ 4,281	$ 380
Professional fees	2,542	2,618	(76)
Base management fees and incentive fees	19,188	24,530	(5,342)
Expenses on distressed residential mortgage loans	10,364	6,429	3,935
Other	2,725	2,601	124
Total	$ 39,480	$ 40,459	$ (979)

The decrease in base management and incentive fees for the year ended December 31, 2015 as compared to the same period in 2014 was primarily driven by a decrease in incentive compensation earned by RiverBanc. In the third and fourth quarter of 2014, RiverBanc earned incentive compensation from the sale of certain multi-family CMBS investments that generated $39.1 million in realized gains.

The increase in expenses related to distressed residential mortgage loans for the year ended December 31, 2015 as compared to the same period in 2014 is due to a higher average balance of loans outstanding in the 2015 period, thereby resulting in higher servicing costs, work-out costs and due diligence costs.

Comparative Portfolio Net Interest Margin

Our results of operations for our investment portfolio during a given period typically reflect, in large part, the net interest income earned on our investment portfolio of RMBS, CMBS (including CMBS held in securitization trusts), residential securitized loans, distressed residential loans (including distressed residential loans held in securitization trusts), loans held for investment, mezzanine loans and preferred equity investments, where the risks and payment characteristics are equivalent to and accounted for as loans, loans held for sale and CLOs (collectively, our "Interest Earning Assets"). The net interest spread is impacted by factors such as our cost of financing, the interest rate that our investments bear and our interest rate hedging strategies. Furthermore, the amount of premium or discount paid on purchased portfolio investments and the prepayment rates on portfolio investments will impact the net interest spread as such factors will be amortized over the expected term of such investments. Realized and unrealized gains and losses on TBAs, Eurodollar and Treasury futures and other derivatives associated with our Agency IO investments, which do not utilize hedge accounting for financial reporting purposes, are included in other income in our statement of operations, and therefore, not reflected in the data set forth below.

The following table sets forth certain information about our portfolio by investment type and their related interest income, interest expense, weighted average yield on interest earning assets, average cost of funds and portfolio net interest margin for the years ended December 31, 2016 , 2015 and 2014 (dollar amounts in thousands):

Year Ended December 31, 2016

	Agency RMBS	Agency IOs	Multi-Family (1)(2)	Distressed Residential	Residential Securitized Loans	Other	Total
Interest Income	$ 7,093	$ 8,636	$ 40,786	$ 36,592	$ 2,941	$ 705	$ 96,753
Interest Expense	(3,887)	(2,290)	(7,490)	(14,078)	(1,246)	(3,124)	(32,115)
Net Interest Income	$ 3,206	$ 6,346	$ 33,296	$ 22,514	$ 1,695	$ (2,419)	$ 64,638
Average Interest Earning Assets (2) (3)	$ 523,355	$ 122,104	$ 330,242	$ 629,412	$ 112,083	$ 12,009	$ 1,729,205
Weighted Average Yield on Interest Earning Assets (4)	1.36 %	7.07 %	12.35 %	5.81 %	2.62 %	5.87%	5.60 %
Average Cost of Funds (5)	(0.86)%	(2.91)%	(6.44)%	(3.75)%	(1.17)%	—	(2.67)%
Portfolio Net Interest Margin (6)	0.50 %	4.16 %	5.91 %	2.06 %	1.45 %	5.87%	2.93 %

Year Ended December 31, 2015

	Agency RMBS	Agency IOs	Multi-Family (1)(2)	Distressed Residential	Residential Securitized Loans	Other	Total
Interest Income	$ 11,039	$ 11,412	$ 32,311	$ 39,739	$ 3,285	$ 6,081	$ 103,867
Interest Expense	(4,693)	(892)	(6,006)	(13,125)	(936)	(2,028)	(27,680)
Net Interest Income	$ 6,346	$ 10,520	$ 26,305	$ 26,614	$ 2,349	$ 4,053	$ 76,187
Average Interest Earning Assets (2) (3)	$ 624,111	$ 132,468	$ 268,726	$ 572,796	$ 143,200	$ 17,108	$ 1,758,409
Weighted Average Yield on Interest Earning Assets (4)	1.77 %	8.61 %	12.02 %	6.94 %	2.29 %	35.54%	5.91 %
Average Cost of Funds (5)	(0.87)%	(1.28)%	(7.11)%	(4.03)%	(0.69)%	—	(2.23)%
Portfolio Net Interest Margin (6)	0.90 %	7.33 %	4.91 %	2.91 %	1.60 %	35.54%	3.68 %

Year Ended December 31, 2014

	Agency RMBS	Agency IOs	Multi-Family [1][2]	Distressed Residential	Residential Securitized Loans	Other	Total
Interest Income	$ 14,360	$ 19,068	$ 37,668	$ 18,681	$ 3,895	$ 9,259	$ 102,931
Interest Expense	(4,588)	(797)	(8,784)	(8,075)	(904)	(1,946)	(25,094)
Net Interest Income	$ 9,772	$ 18,271	$ 28,884	$ 10,606	$ 2,991	$ 7,313	$ 77,837
Average Interest Earning Assets [2] [3]	$ 724,769	$ 146,001	$ 302,009	$ 248,970	$ 161,596	$ 24,828	$ 1,608,173
Weighted Average Yield on Interest Earning Assets [4]	1.98 %	13.06 %	12.47 %	7.50 %	2.41 %	37.29 %	6.40 %
Average Cost of Funds [5]	(0.74)%	(0.92)%	(7.17)%	(4.82)%	(0.58)%	(1.59)%	(2.00)%
Portfolio Net Interest Margin [6]	1.24 %	12.14 %	5.30 %	2.68 %	1.83 %	35.70 %	4.40 %

(1) The Company, through its ownership of certain securities has determined it is the primary beneficiary of the Consolidated K-Series and has consolidated the Consolidated K-Series into the Company's consolidated financial statements. Average Interest Earning Assets for the periods indicated exclude all Consolidated K-Series assets other than those securities actually owned by the Company. Interest income amounts represent interest income earned by securities that are actually owned by the Company. A reconciliation of our interest income in multi-family investments to our consolidated financial statements for the years ended December 31, 2016 , 2015 and 2014 is set forth below (dollar amounts in thousands):

	For the Years Ended December 31,		
	2016	2015	2014
Interest income, multi-family loans held in securitization trusts	$ 249,191	$ 257,417	$ 301,877
Interest income, investment securities, available for sale [a]	5,036	3,516	9,167
Interest income, mezzanine loan and preferred equity investments	9,112	4,349	2,540
Interest expense, multi-family collateralized debt obligation	222,553	232,971	275,916
Interest income, multi-family CMBS	40,786	32,311	37,668
Interest expense, investment securities, available for sale	1,859	—	—
Interest expense, securitized debt	5,631	6,006	8,784
Net interest income, Multi-Family	$ 33,296	$ 26,305	$ 28,884

(a) Included in the Company's accompanying consolidated statements of operations in interest income, investment securities and other.

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

Prepayment History

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

Quarter Ended	Agency ARMs	Agency Fixed-Rate RMBS	Agency IOs	Non-Agency RMBS	Residential Securitizations	Total Weighted Average
December 31, 2016	21.7%	12.3%	19.4%	14.8%	11.1%	16.9%
September 30, 2016	20.7%	10.0%	18.2%	21.0%	15.9%	16.1%
June 30, 2016	17.6%	10.2%	15.6%	14.4%	17.8%	14.6%
March 31, 2016	13.5%	7.9%	14.7%	12.9%	14.8%	12.7%
December 31, 2015	16.9%	8.5%	14.6%	15.3%	31.2%	14.7%
September 30, 2015	18.6%	10.5%	18.0%	12.5%	8.9%	15.1%
June 30, 2015	9.2%	10.6%	16.3%	12.5%	11.1%	13.3%
March 31, 2015	9.1%	6.5%	14.7%	15.5%	13.7%	11.5%
December 31, 2014	12.3%	6.5%	14.6%	13.7%	5.4%	11.1%
September 30, 2014	20.5%	9.2%	15.2%	18.7%	5.4%	13.1%
June 30, 2014	9.9%	6.7%	12.7%	10.5%	7.0%	10.1%
March 31, 2014	8.8%	5.2%	11.3%	9.7%	7.5%	8.8%

The change in CPR during 2016 primarily negatively impacted the net interest income from our Agency IOs, Agency fixed-rate RMBS and Agency ARMs. When prepayment expectations over the remaining life of assets increase, we have to amortize premiums over a shorter time period resulting in a reduced yield to maturity on our investment assets. Conversely, if prepayment expectations decrease, the premium would be amortized over a longer period resulting in a higher yield to maturity. In addition, the market values and cash flows from our Agency IOs can be materially adversely affected during periods of elevated prepayments. We monitor our prepayment experience on a monthly basis and adjust the amortization rate to reflect current market conditions.

Financial Condition

As of December 31, 2016 , we had approximately $9.0 billion of total assets, as compared to approximately $9.1 billion of total assets as of December 31, 2015 . A significant portion of our assets represents the assets comprising the Consolidated K-Series, which we consolidate under the accounting rules. As of December 31, 2016 and December 31, 2015 , the Consolidated K-Series assets amounted to approximately $7.0 billion and $7.1 billion , respectively. See "Significant Estimates and Critical Accounting Policies - Loan Consolidation Reporting Requirement for Certain Multi-Family K-Series Securitizations."

Balance Sheet Analysis

Investment Securities Available for Sale . At December 31, 2016 , our securities portfolio includes Agency RMBS, including Agency fixed-rate and Agency ARM pass-through certificates, Agency IOs, CMBS, non-Agency RMBS, and U.S. Treasuries, which are classified as investment securities available for sale. At December 31, 2016 , we had no investment securities in a single issuer or entity that had an aggregate book value in excess of 10% of our total assets. The increase in our investment securities available for sale as of December 31, 2016 as compared to December 31, 2015 is primarily related to our purchases of non-Agency RMBS and CMBS during the period.

The following tables set forth the balances of our investment securities available for sale by vintage (i.e., by issue year) as of December 31, 2016 and December 31, 2015 , respectively (dollar amounts in thousands):

	December 31, 2016		December 31, 2015	
	Par Value	**Carrying Value**	**Par Value**	**Carrying Value**
Agency RMBS				
ARMs				
Prior to 2012	$ 22,173	$ 23,203	$ 47,463	$ 49,670
2012	86,449	89,642	116,517	120,379
2013	—	—	1,282	1,313
2014	—	—	1,203	1,233
2015	—	—	401	418
Total ARMs	108,622	112,845	166,866	173,013
Fixed-Rate				
Prior to 2012	1,011	1,042	21,947	24,947
2012	317,974	327,132	386,293	397,541
2013	—	—	309	335
2015	411	453	1,668	1,890
Total Fixed-Rate	319,396	328,627	410,217	424,713
IO				
Prior to 2013	321,237	49,617	484,683	74,652
2013	87,142	14,635	113,845	19,214
2014	51,716	5,634	65,295	7,976
2015	55,338	9,578	91,837	13,548
2016	75,770	5,427	—	—
Total IOs	591,203	84,891	755,660	115,390
Total Agency RMBS	1,019,221	526,363	1,332,743	713,116
US Treasury Securities				
Prior to 2012	—	—	10,000	10,037
2016	3,000	2,887	—	—
Total US Treasury Securities	3,000	2,887	10,000	10,037
Non-Agency RMBS				
2006	1,659	1,229	2,088	1,567
2015	27,574	27,643	—	—
2016	133,647	134,412	—	—
Total Non-Agency RMBS	162,880	163,284	2,088	1,567
CMBS				
Prior to 2013 [1]	835,447	43,897	853,408	40,734
2013	5,912	5,733	—	—
2014	2,500	2,158	—	—
2015	16,880	14,364	—	—
2016	64,873	60,290	—	—
Total CMBS	925,612	126,442	853,408	40,734

Total	$ 2,110,713	$ 818,976	$ 2,198,239	$ 765,454

(1) These amounts represent multi-family CMBS available for sale held in securitization trusts at December 31, 2016 and December 31, 2015 .

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

At December 31, 2016 , residential mortgage loans held in securitization trusts totaled approximately $95.1 million . The Company's net investment in the residential securitization trusts, which is the maximum amount of the Company's investment that is at risk to loss and represents the difference between the carrying amount of (i) the ARM loans, real estate owned and receivables held in residential securitization trusts and (ii) the amount of Residential CDOs outstanding, was $4.4 million . Of the residential mortgage loans held in securitized trusts, 100% are traditional ARMs or hybrid ARMs, 80.7% of which are ARM loans that are interest only, at the time of origination. With respect to the hybrid ARMs included in these securitizations, interest rate reset periods were predominately five years or less and the interest-only period is typically 9 years, which mitigates the "payment shock" at the time of interest rate reset. None of the residential mortgage loans held in securitization trusts are pay option-ARMs or ARMs with negative amortization. At December 31, 2016, the interest only period for the interest only ARM loans included in these securitizations has ended.

The following table details our residential mortgage loans held in securitization trusts at December 31, 2016 and December 31, 2015 , respectively (dollar amounts in thousands):

	Number of Loans	Unpaid Principal	Carrying Value
December 31, 2016	287	$ 98,303	$ 95,144
December 31, 2015	331	$ 122,545	$ 119,921

Characteristics of Our Residential Mortgage Loans Held in Securitization Trusts:

The following table sets forth the composition of our residential mortgage loans held in securitization trusts as of December 31, 2016 and December 31, 2015 , respectively (dollar amounts in thousands):

	December 31, 2016			December 31, 2015		
	Average	High	Low	Average	High	Low
General Loan Characteristics:						
Original Loan Balance	$ 424	$ 2,850	$ 48	$ 432	$ 2,850	$ 48
Current Coupon Rate	3.35%	5.25%	1.63%	2.82%	4.63%	1.38%
Gross Margin	2.36%	4.13%	1.13%	2.37%	4.13%	1.13%
Lifetime Cap	11.3%	13.25%	9.38%	11.3%	13.25%	9.38%
Original Term (Months)	360	360	360	360	360	360
Remaining Term (Months)	221	228	187	233	240	199
Average Months to Reset	5	11	1	5	11	1
Original FICO Score	724	818	593	724	818	593
Original LTV	69.80%	95.00%	13.94%	69.77%	95.00%	13.94%

The following tables detail the activity for the residential mortgage loans held in securitization trusts (net) for the years ended December 31, 2016 and 2015 , respectively (dollar amounts in thousands):

	Principal	Premium	Allowance for Loan Losses	Net Carrying Value
Balance, January 1, 2016	$ 122,545	$ 775	$ (3,399)	$ 119,921
Principal repayments	(23,781)	—	—	(23,781)
Provision for loan loss	—	—	(612)	(612)
Transfer to real estate owned	(461)	—	117	(344)
Charge-Offs	—	—	112	112
Amortization of premium	—	(152)	—	(152)
Balance, December 31, 2016	$ 98,303	$ 623	$ (3,782)	$ 95,144

	Principal	Premium	Allowance for Loan Losses	Net Carrying Value
Balance, January 1, 2015	$ 152,277	$ 968	$ (3,631)	$ 149,614
Principal repayments	(30,684)	—	—	(30,684)
Provision for loan loss	—	—	(1,161)	(1,161)
Transfer to real estate owned	(75)	—	—	(75)
Charge-Offs	1,027	—	1,393	2,420
Amortization of premium	—	(193)	—	(193)
Balance, December 31, 2015	$ 122,545	$ 775	$ (3,399)	$ 119,921

Acquired Distressed Residential Mortgage Loans . Distressed residential mortgage loans are comprised of pools of fixed and adjustable rate residential mortgage loans acquired by the Company at a discount, with evidence of credit deterioration since their origination and where it is probable that the Company will not collect all contractually required principal payments. Management evaluates whether there is evidence of credit quality deterioration as of the acquisition date using indicators such as past due or modified status, risk ratings, recent borrower credit scores and recent loan-to-value percentages. Distressed residential mortgage loans held in securitization trusts are distressed residential mortgage loans transferred to Consolidated VIEs that have been securitized into beneficial interests.

The following table details our portfolio of distressed residential mortgage loans, including those distressed residential mortgage loans held in securitization trusts, at December 31, 2016 and December 31, 2015 , respectively (dollar amounts in thousands):

	Number of Loans	Unpaid Principal	Carrying Value
December 31, 2016	5,275	$ 559,945	$ 503,094
December 31, 2015	5,877	$ 640,570	$ 558,989

The Company’s distressed residential mortgage loans held in securitization trusts with a carrying value of approximately $ 195.3 million and $114.2 million at December 31, 2016 and December 31, 2015 , respectively, are pledged as collateral for certain of the securitized debt issued by the Company. The Company’s net investment in these securitization trusts, which is the maximum amount of the Company’s investment that is at risk to loss and represents the difference between the carrying amount of the net assets and liabilities associated with the distressed residential mortgage loans held in securitization trusts, was $77.1 million and $86.3 million at December 31, 2016 and 2015 , respectively.

In addition, distressed residential mortgage loans with a carrying value of approximately $ 279.9 million and $307.0 million at December 31, 2016 and December 31, 2015 , respectively, are pledged as collateral for a master repurchase agreement with Deutsche Bank AG, Cayman Islands Branch.

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

Loan to Value at Purchase	December 31, 2016	December 31, 2015
50.00% or less	4.1%	3.3%
50.01% - 60.00%	4.3%	3.6%
60.01% - 70.00%	6.8%	6.7%
70.01% - 80.00%	10.8%	10.0%
80.01% - 90.00%	12.7%	11.9%
90.01% - 100.00%	14.0%	13.1%
100.01% and over	47.3%	51.4%
Total	100.0%	100.0%

FICO Scores at Purchase	December 31, 2016	December 31, 2015
550 or less	18.5%	17.7%
551 to 600	28.7%	30.3%
601 to 650	28.0%	28.2%
651 to 700	15.6%	15.4%
701 to 750	6.6%	6.5%
751 to 800	2.3%	1.7%
801 and over	0.3%	0.2%
Total	100.0%	100.0%

Current Coupon	December 31, 2016	December 31, 2015
3.00% or less	13.5%	14.9%
3.01% - 4.00%	11.8%	9.3%
4.01 to 5.00%	22.0%	21.3%
5.01 - 6.00%	11.8%	11.5%
6.01% and over	40.9%	43.0%
Total	100.0%	100.0%

Delinquency Status	December 31, 2016	December 31, 2015
Current	69.7%	68.1%
31- 60 days	11.6%	11.0%
61 - 90 days	4.2%	9.0%
90+ days	14.5%	11.9%
Total	100.0%	100.0%

Origination Year	December 31, 2016	December 31, 2015
2005 or earlier	27.0%	27.1%
2006	18.1%	19.0%
2007	33.6%	34.2%
2008 or later	21.3%	19.7%
Total	100.0%	100.0%

Consolidated K-Series. As of December 31, 2016 and December 31, 2015 , we owned 100% of the first loss securities of the Consolidated K-Series. The Consolidated K-Series are comprised of multi-family mortgage loans held in five Freddie Mac-sponsored multi-family K-Series securitizations as of each of December 31, 2016 and December 31, 2015 of which we, or one of our SPEs, own the first loss securities and certain IOs. We determined that the securitizations comprising the Consolidated K-Series were VIEs and that we are the primary beneficiary of these securitizations. Accordingly, we are required to consolidate the Consolidated K-Series' underlying multi-family loans and related debt, income and expense in our financial statements.

We have elected the fair value option on the assets and liabilities held within the Consolidated K-Series, which requires that changes in valuations in the assets and liabilities of the Consolidated K-Series will be reflected in our consolidated statements of operations. As of December 31, 2016 and December 31, 2015 , the Consolidated K-Series was comprised of $6.9 billion and $7.1 billion , respectively, in multi-family loans held in securitization trusts and $6.6 billion and $6.8 billion , respectively, in multi-family CDOs, with a weighted average interest rate of 3.97% and 3.98% respectively. As a result of the consolidation of the Consolidated K-Series, our consolidated statements of operations for the years ended December 31, 2016 and 2015 included $249.2 million and $257.4 million in interest income, respectively, and $222.6 million and $233.0 million in interest expense, respectively. Also, we recognized a $3.0 million and $12.4 million unrealized gain in the consolidated statements of operations for the years ended December 31, 2016 and 2015 , respectively, as a result of the fair value accounting method election.

We do not have any claims to the assets (other than the security represented by our first loss piece) or obligations for the liabilities of the Consolidated K-Series. Our investment in the Consolidated K-Series is limited to the multi-family CMBS comprised of first loss tranche PO securities and or/certain IOs issued by these K-Series securitizations with an aggregate net carrying value of $314.9 million and $286.4 million as of December 31, 2016 and December 31, 2015 , respectively.

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

Multi-Family CMBS Loan Characteristics:

The following table details the loan characteristics of the loans that back our multi-family CMBS (including the Consolidated K-Series) in our portfolio as of December 31, 2016 and December 31, 2015 , respectively (dollar amounts in thousands):

	December 31, 2016	December 31, 2015
Current balance of loans	$ 8,824,481	$ 9,034,361
Number of loans	543	548
Weighted average original LTV	68.8%	68.8%
Weighted average underwritten debt service coverage ratio	1.49x	1.49x
Current average loan size	$ 16,251	$ 16,486
Weighted average original loan term (in months)	120	120
Weighted average current remaining term (in months)	79	79
Weighted average loan rate	4.39%	4.40%
First mortgages	100%	100%
Geographic state concentration (greater than 5.0%):		
California	13.8%	13.8%
Texas	12.4%	12.3%
New York	8.1%	8.0%
Maryland	5.3%	5.2%

Investment in Unconsolidated Entities. Investment in unconsolidated entities is comprised of ownership interests in entities that invest in multifamily or residential real estate and related assets. As of December 31, 2016 and December 31, 2015 , we had approximately $79.3 million and $87.7 million of investments in unconsolidated entities, respectively. The net decrease in investment in unconsolidated entities is attributable to our acquisition on May 16, 2016 of the outstanding ownership interests in RiverBanc, RBMI, and RBDHC that were not previously owned by the Company, which resulted in consolidation of these entities into the Company's financial statements, partially offset by one additional investment made during the year ended December 31, 2016 . As a result of the business combination, the Company's equity investments in RiverBanc, RBMI and RBDHC were replaced by the recognition of joint venture equity investments totaling $52.2 million as of May 16, 2016. See *Note 21* to our consolidated financial statements included in this report for more information on these business combinations.

Mezzanine Loan and Preferred Equity Investments. The Company had mezzanine loan and preferred equity investments in the amounts of $100.2 million and $44.2 million as of December 31, 2016 and December 31, 2015 , respectively. The net increase at December 31, 2016 is attributable to six additional investments and our acquisition of the outstanding ownership interests in RBMI that were not previously owned by us, which resulted in consolidation of this entity into the Company's financial statements. As a result of the business combination and related consolidation, the Company recognized an additional $23.6 million of mezzanine and preferred equity investments as of May 16, 2016. See *Note 21* to our consolidated financial statements included in this report for more information on the business combination.

As of December 31, 2016 , all mezzanine loan and preferred equity investments were paying in accordance with their contractual terms. During the year ended December 31, 2016 , there were no impairments with respect to our mezzanine loans and preferred equity investments.

The following tables summarize our mezzanine loans and preferred equity investments as of December 31, 2016 and December 31, 2015 (dollars in thousands):

	December 31, 2016				
	Count	Carrying Amount (1)	Investment Amount (1)	Weighted Average Interest or Preferred Return Rate (2)	Weighted Average Remaining Life (Years)
Mezzanine loans	5	$ 18,881	$ 19,058	12.53%	8.8
Preferred equity investments	14	81,269	82,096	12.10%	7.4
Total	19	$ 100,150	$ 101,154	12.18%	7.65

	December 31, 2015				
	Count	Carrying Amount (1)	Investment Amount (1)	Weighted Average Interest or Preferred Return Rate (2)	Weighted Average Remaining Life (Years)
Mezzanine loans	2	$ 8,663	$ 8,735	12.50%	11.0
Preferred equity investments	9	35,488	35,794	12.38%	7.2
Total	11	$ 44,151	$ 44,529	12.41%	8.0

(1) The difference between the carrying amount and the investment amount consists of any unamortized premium or discount, deferred fees, or deferred expenses.

(2) Based upon investment amount and contractual interest or preferred return rate.

Financing Arrangements, Portfolio Investments . The Company finances its portfolio investments primarily through repurchase agreements with third party financial institutions. These financing arrangements are short-term borrowings that bear interest rates typically based on a spread to LIBOR, and are secured by the securities which they finance.

As of December 31, 2016 , the Company had repurchase agreements with an outstanding balance of $773.1 million and a weighted average interest rate of 1.92% . At December 31, 2015 , the Company had repurchase agreements and FHLBI advances with an outstanding balance of $577.4 million and a weighted average interest rate of 0.71% . Our repurchase agreements typically have terms of 30 days or less.

At December 31, 2016 , the Company's only exposure where the amount at risk was in excess of 5% of the Company's stockholders' equity was to Deutsche Bank AG, London Branch at 5.1% . At December 31, 2015 , we had no counterparties where the amount at risk was in excess of 5% of the Company's stockholders' equity. The amount at risk is defined as the fair value of securities pledged as collateral to the financing arrangement in excess of the financing arrangement liability.

As of December 31, 2016 , the outstanding balance under our repurchase agreements was funded at an advance rate of 84.6% that implies an average haircut of 15.4% . As of December 31, 2015 , the outstanding balance under our repurchase agreements was funded at an advance rate of 92.1% that implies an average haircut of 7.9% . The weighted average “haircut” related to our repurchase agreement financing for our Agency RMBS (excluding Agency IOs), non-Agency RMBS, CMBS and Agency IOs was approximately 5% , 25% , 27% and 25% , respectively, at December 31, 2016 .

The following table details the ending balance, quarterly average balance and maximum balance at any month-end during each quarter in 2016 , 2015 and 2014 for repurchase agreement borrowings outstanding (dollar amounts in thousands):

Quarter Ended	Quarterly Average Balance	End of Quarter Balance	Maximum Balance at any Month-End
December 31, 2016	$ 742,594	$ 773,142	$ 773,142
September 30, 2016	$ 686,348	$ 671,774	$ 699,506
June 30, 2016	$ 615,930	$ 618,050	$ 642,536
March 31, 2016	$ 576,822	$ 589,919	$ 589,919
December 31, 2015	$ 574,847	$ 577,413	$ 578,136
September 30, 2015	$ 578,491	$ 586,075	$ 586,075
June 30, 2015	$ 513,254	$ 585,492	$ 585,492
March 31, 2015	$ 633,132	$ 619,741	$ 645,162
December 31, 2014	$ 658,360	$ 651,965	$ 668,901
September 30, 2014	$ 639,831	$ 627,881	$ 653,181
June 30, 2014	$ 725,761	$ 668,428	$ 758,857
March 31, 2014	$ 774,545	$ 767,827	$ 784,019

Financing Arrangements, Residential Mortgage Loans.

The Company has a master repurchase agreement with Deutsche Bank AG, Cayman Islands Branch with a maximum aggregate committed principal amount of $200.0 million and a maximum uncommitted principal amount of $50.0 million to fund distressed residential mortgage loans, expiring on December 13, 2017 . At December 31, 2015 , the master repurchase agreement provided for an aggregate principal committed amount of up to $250.0 million . The outstanding balance on this master repurchase agreement as of December 15, 2016 and December 31, 2015 amounts to approximately $193.8 million and $214.5 million , respectively, bearing interest at one-month LIBOR plus 2.50% (3.26% and 2.92% at December 31, 2016 and December 31, 2015 , respectively). Distressed residential mortgage loans with a carrying value of approximately $279.9 million at December 31, 2016 are pledged as collateral for the borrowings under this master repurchase agreement. The Company expects to roll outstanding borrowings under this master repurchase agreement into a new repurchase agreement or other financing prior to or at maturity.

On November 25, 2015 , the Company entered into a master repurchase agreement with Deutsche Bank AG, Cayman Islands Branch in an aggregate principal amount of up to $100.0 million to fund the future purchase of residential mortgage loans, particularly second mortgage loans. The outstanding balance on the master repurchase agreement will bear interest at one-month LIBOR plus 4% and expires on May 25, 2017. There was no outstanding balance on this master repurchase agreement as of December 31, 2016 .

Residential Collateralized Debt Obligations . As of December 31, 2016 and 2015 , we had residential collateralized debt obligations, or Residential CDOs, of $ 91.7 million and $116.7 million , respectively. As of December 31, 2016 and 2015 , the weighted average interest rate of these Residential CDOs was 1.37% and 0.8% , respectively. The Residential CDOs are collateralized by ARM loans with a principal balance of $98.3 million and $122.5 million at December 31, 2016 and 2015 , respectively. The Company retained the owner trust certificates, or residual interest, for three securitizations, and had a net investment in the residential securitization trusts of $4.4 million at December 31, 2016 and 2015 .

Securitized Debt . As of December 31, 2016 and 2015 , we had approximately $158.9 million and $116.5 million of securitized debt, respectively. As of December 31, 2016 and 2015 , the weighted average interest rate for our securitized debt was 4.24% and 5.28% , respectively. The Company's securitized debt is collateralized by multi-family CMBS and distressed residential mortgage loans. In February 2016, the Company repaid the outstanding notes from its distressed residential mortgage loan securitization transactions completed in 2013 with original principal amounts of $138.3 million and outstanding principal balance at the time of repayment amounting to $31.9 million . In April 2016, the Company closed on a securitization transaction that involved the issuance and sale of $177.5 million of Class A Notes representing beneficial ownership in a pool of performing and re-performing seasoned mortgage loans. The Company holds 5% of the Class A Notes issued. In October 2016, the Company repaid $55.9 million of outstanding notes from a November 2013 collateralized recourse financing, which was collateralized by multi-family CMBS from three separate Freddie Mac-sponsored multi-family K-Series securitizations. See *Note 9* to our consolidated financial statements included in this report for more information on securitized debt.

Subordinated Debentures . As of December 31, 2016 and 2015 , certain of our wholly owned subsidiaries had trust preferred securities outstanding of $45.0 million with a weighted average interest rate of 4.79% and 4.32% , respectively. The securities are fully guaranteed by us with respect to distributions and amounts payable upon liquidation, redemption or repayment. These securities are classified as subordinated debentures in the liability section of our consolidated balance sheets.

Derivative Assets and Liabilities. The Company enters into derivative instruments in connection with its risk management activities. These derivative instruments may include interest rate swaps, swaptions, futures, put and call options on futures and mortgage derivatives such as forward-settling purchases and sales of Agency RMBS where the underlying pools of mortgage loans are "To-Be-Announced," or TBAs.

In connection with our investment in Agency IOs, we utilize several types of derivative instruments such as interest rate swaps, futures, put and call options on futures and TBAs to hedge the interest rate risk and spread risk. This hedging technique is dynamic in nature and requires frequent adjustments, which accordingly makes it very difficult to qualify for hedge accounting treatment. Hedge accounting treatment requires specific identification of a risk or group of risks and then requires that we designate a particular trade to that risk with no minimal ability to adjust over the life of the transaction. Because we and Midway are frequently adjusting these derivative instruments in response to current market conditions, we have determined to account for all the derivative instruments related to our Agency IO investments as derivatives not designated as hedging instruments. Realized and unrealized gains and losses associated with derivatives in our Agency IO portfolio are recognized through earnings in the consolidated statements of operations.

We also use interest rate swaps (separately from interest rate swaps in our Agency IO portfolio) to hedge variable cash flows associated with borrowings made under our financing arrangements and Residential CDOs. We typically pay a fixed rate and receive a floating rate based on one month LIBOR, on the notional amount of the interest rate swaps. The floating rate we receive under our swap agreements has the effect of offsetting the repricing characteristics and cash flows of our financing arrangements. At December 31, 2016 and December 31, 2015 , the Company had $215 million of notional amount of interest rate swaps outstanding that qualify as cash flow hedges for financial reporting purposes. The interest rate swaps had a net fair market asset value of $0.1 million and $0.3 million at December 31, 2016 and December 31, 2015 , respectively. See *Note 10* to our consolidated financial statements included in this Form 10-K for more information on our derivative instruments and hedging activities.

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

Balance Sheet Analysis - Stockholders' Equity

Stockholders' equity at December 31, 2016 was $851.2 million and included $3.1 million in non-controlling interest and $1.6 million of accumulated other comprehensive income. The accumulated other comprehensive income consisted of $10.8 million in unrealized losses related to our Agency RMBS and non-Agency RMBS offset by $12.3 million in net unrealized gains related to our CMBS and $0.1 million in unrealized derivative gains related to cash flow hedges. Stockholders' equity at December 31, 2015 was $880.5 million and included $2.9 million of accumulated other comprehensive loss. The accumulated other comprehensive loss consisted of $15.2 million in unrealized losses related to our Agency RMBS and non-Agency RMBS offset by $12.0 million in net unrealized gains related to our CMBS and $0.3 million in unrealized derivative gains related to cash flow hedges.

Analysis of Changes in Book Value

The following table analyzes the changes in book value for the quarter and year ended December 31, 2016 , respectively (amounts in thousands, except per share):

	Quarter Ended December 31, 2016			Year Ended December 31, 2016		
	Amount	**Shares**	**Per Share (1)**	**Amount**	**Shares**	**Per Share (1)**
Beginning Balance	$ 694,990	109,569	$ 6.34	$ 715,526	109,402	$ 6.54
Common stock issuance, net	13,112	1,905		14,010	2,072	
Balance after share issuance activity	708,102	111,474	6.35	729,536	111,474	6.54
Dividends declared	(26,754)		(0.24)	(105,605)		(0.95)
Net change AOCI: (2)						
Hedges	404		—	(202)		—
RMBS	(8,395)		(0.07)	4,472		0.05
CMBS	46		—	223		—
Net income attributable to Company's common stockholders	9,672		0.09	54,651		0.49
Ending Balance	$ 683,075	111,474	$ 6.13	$ 683,075	111,474	$ 6.13

(1) Outstanding shares used to calculate book value per share for the quarter and year ended periods are based on outstanding shares as of December 31, 2016 of 111,474,521 .
(2) Accumulated other comprehensive income ("AOCI").
(3) The decrease in fair value related to our RMBS investments can be attributed to the rate sell off in the bond market during the fourth quarter.

The following table analyzes the changes in book value for the quarter and year ended December 31, 2015 , respectively (amounts in thousands, except per share):

	Quarter Ended December 31, 2015			Year Ended December 31, 2015		
	Amount	Shares	Per Share [1]	Amount	Shares	Per Share [1]
Beginning Balance	**$ 745,648**	**109,402**	**$ 6.82**	**$ 742,927**	**105,095**	**$ 7.07**
Common stock issuance, net	230	—		32,782	4,307	
Preferred stock issuance, net	—	—		86,862	—	
Preferred stock liquidation preference	—	—		(90,000)	—	
Balance after share issuance activity	745,878	109,402	6.82	772,571	109,402	7.06
Dividends declared	(26,256)		(0.24)	(111,199)		(1.02)
Net change AOCI: [2]						
Hedges	1,112		0.01	(831)		(0.01)
RMBS	(5,651)		(0.05)	(2,613)		(0.02)
CMBS	(539)		(0.01)	(362)		—
CLOs	—		—	(9,063)		(0.08)
Net income attributable to Company's common stockholders	982		0.01	67,023		0.61
Ending Balance	**$ 715,526**	**109,402**	**$ 6.54**	**$ 715,526**	**109,402**	**$ 6.54**

(1) Outstanding shares used to calculate book value per share for the quarter and year ended periods are based on outstanding shares as of December 31, 2015 of 109,401,721 .
(2) Accumulated other comprehensive income (“AOCI”).

Liquidity and Capital Resources

General

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

During the year ended December 31, 2016 , net cash increased primarily as a result of $53.8 million provided by operating activities and $33.7 million provided by investing activities, which was partially offset by $65.9 million used in financing activities. Our investing activities primarily included $136.8 million in principal paydowns on investment securities available for sale, $122.6 million in principal repayments and proceeds from sales and refinancings of distressed residential mortgage loans, $208.2 million in proceeds from sales of investment securities, $136.3 million in principal repayments received on multi-family loans held in securitization trusts, $23.6 million in principal repayments received on residential mortgage loans held in securitization trusts, $10.9 million of return of capital from unconsolidated entities and preferred equity investments, $5.4 million from the redemption of FHLBI stock, $4.5 million from principal repayments received on mezzanine loans and preferred equity investments and $2.1 million in proceeds from sale of real estate owned, partially offset by $82.2 million of purchases of residential mortgage loans and distressed residential mortgage loans, $423.2 million of purchases of investment securities, $46.9 million in the funding of mezzanine loans, equity and preferred equity investments, a $35.2 million decrease in restricted cash, $28.5 million of cash used in the acquisition of businesses, and $0.9 million in net payments on other derivative instruments settled during the period. Our financing activities primarily included $136.3 million in payments made on multi-family CDOs, $118.0 million in dividends paid on common stock, Series B Preferred Stock and Series C Preferred Stock, $25.2 million in payments made on Residential CDOs, $126.0 million in payments made on securitized debt and $16.3 million for the redemption of preferred equity, partially offset by net proceeds from financing arrangements of $176.0 million , $166.3 million of proceeds from issuance of securitized debt and $13.5 million in net proceeds from common stock issuances.

We fund our investments and operations through a balanced and diverse funding mix, which includes proceeds from the issuance of equity and debt securities, including convertible notes, short-term and longer-term repurchase agreement borrowings, CDOs, securitized debt, trust preferred debentures and, until January 2016, we also used FHLBI advances. The type and terms of financing used by us depends on the asset being financed and the financing available at the time of the financing. In those cases where we utilize some form of structured financing, be it through CDOs, longer-term repurchase agreements or securitized debt, the cash flow produced by the assets that serve as collateral for these structured finance instruments may be restricted in terms of its use or applied to pay principal or interest on CDOs, repurchase agreements, or notes that are senior to our interests. At December 31, 2016 , we had cash and cash equivalents balances of $83.6 million , which increased from $62.0 million at December 31, 2015 . Based on our current investment portfolio, new investment initiatives, leverage ratio and available and future possible borrowing arrangements, we believe our existing cash balances, funds available under our various financing arrangements and cash flows from operations will meet our liquidity requirements for at least the next 12 months.

Liquidity – Financing Arrangements

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

As of December 31, 2016 , we have outstanding short-term repurchase agreements, a form of collateralized short-term borrowing, with eight different financial institutions. These agreements are secured by certain of our investment securities and bear interest rates that have historically moved in close relationship to LIBOR. Our borrowings under repurchase agreements are based on the fair value of our investment securities portfolio. Interest rate changes and increased prepayment activity can have a negative impact on the valuation of these securities, reducing the amount we can borrow under these agreements. Moreover, our repurchase agreements allow the counterparties to determine a new market value of the collateral to reflect current market conditions and because these lines of financing are not committed, the counterparty can call the loan at any time. Market value of the collateral represents the price of such collateral obtained from generally recognized sources or most recent closing bid quotation from such source plus accrued income. If a counterparty determines that the value of the collateral has decreased, the counterparty may initiate a margin call and require us to either post additional collateral to cover such decrease or repay a portion of the outstanding borrowing in cash, on minimal notice. Moreover, in the event an existing counterparty elected to not renew the outstanding balance at its maturity into a new repurchase agreement, we would be required to repay the outstanding balance with cash or proceeds received from a new counterparty or to surrender the securities that serve as collateral for the outstanding balance, or any combination thereof. If we are unable to secure financing from a new counterparty and had to surrender the collateral, we would expect to incur a loss. In addition, in the event one of our lenders under the repurchase agreement defaults on its obligation to “re-sell” or return to us the securities that are securing the borrowings at the end of the term of the repurchase agreement, we would incur a loss on the transaction equal to the amount of “haircut” associated with the short-term repurchase agreement, which we sometimes refer to as the “amount at risk.” As of December 31, 2016 , we had an aggregate amount at risk under our repurchase agreements with eight counterparties of approximately $172.0 million , with no more than approximately $43.2 million at risk with any single counterparty. At December 31, 2016 , the Company had short-term repurchase agreement borrowings on its investment securities of $773.1 million as compared to $577.4 million as of December 31, 2015 .

As of December 31, 2016 , our available liquid assets include unrestricted cash and cash equivalents, overnight deposits and unencumbered securities we believe may be posted as margin. The Company had $83.6 million in cash and cash equivalents, $35.6 million in overnight deposits in our Agency IO portfolio included in restricted cash and $85.1 million in unencumbered investment securities to meet additional haircuts or market valuation requirements. The unencumbered securities that we believe may be posted as margin as of December 31, 2016 included $29.1 million of Agency RMBS, $43.6 million of CMBS and $12.3 million of non-Agency RMBS. We believe the cash and unencumbered securities, which collectively represent 26.4% of our financing arrangements, are liquid and could be monetized to pay down or collateralize a liability immediately.

At December 31, 2016 , the Company also had two master repurchase agreements, with Deutsche Bank AG, Cayman Islands Branch in aggregate committed principal amounts of up to $200.0 million and $100.0 million , expiring on December 13, 2017 and May 25, 2017, respectively. The outstanding balances under the master repurchase agreement in an aggregate principal amount of up to $200.0 million amounted to approximately $193.8 million and $214.5 million at December 31, 2016 and December 31, 2015 , respectively. The agreement with an aggregate committed principal amount of up to $200.0 million is collateralized by distressed residential mortgage loans with a carrying value of $279.9 million at December 31, 2016 . We had no outstanding balances under the other master repurchase agreement at December 31, 2016 and December 31, 2015 .

At December 31, 2016 , we also had other longer-term debt, including Residential CDOs outstanding of $91.7 million , multi-family CDOs outstanding of $6.6 billion (which represent obligations of the Consolidated K-Series), subordinated debt of $45.0 million and securitized debt of $158.9 million . The CDOs are collateralized by residential and multi-family loans held in securitization trusts, respectively. The securitized debt as of December 31, 2016 represents the notes issued in (i) our May 2012 multi-family re-securitization transaction and (ii) our April 2016 distressed residential mortgage loan securitization transactions, which is described in *Note 9* of our consolidated financial statements.

On January 23, 2017 , the Company completed the issuance of $138.0 million aggregate principal amount of the Convertible Notes in a public offering. The Convertible Notes were issued at 96% of the principal amount, bear interest at a rate equal to 6.25% per year, payable semi-annually in arrears on January 15 and July 15 of each year, commencing July 15, 2017, and are expected to mature on January 15, 2022, unless earlier converted or repurchased. The Company does not have the right to redeem the Convertible Notes prior to maturity and no sinking fund is provided for the Convertible Notes. Holders of the Convertible Notes are permitted to convert their Convertible Notes into shares of the Company's common stock at any time prior to the close of business on the business day immediately proceeding January 15, 2022 . The conversion rate for the Convertible Notes, which is subject to adjustment upon the occurrence of certain specified events, initially equals 142.7144 shares of the Company’s common stock per $1,000 principal amount of Convertible Notes, which is equivalent to a conversion price of approximately $7.01 per share of the Company’s common stock, based on a $1,000 principal amount of the Convertible Notes. The Company estimates the all in cost of the Convertible Notes to be approximately 8.14%.

As of December 31, 2016 , our overall leverage ratio, including both our short-term and longer-term financing, such as securitized debt and subordinated debt (and excluding the CDO's issued by the Consolidated K-Series and our Residential CDOs) divided by the Company's stockholders' equity, was approximately 1.4 to 1. As of December 31, 2016 , our leverage ratio on our short term financings or callable debt was approximately 1.1 to 1. We monitor all at risk or short term borrowings to ensure that we have adequate liquidity to satisfy margin calls and have the ability to respond to other market disruptions.

Liquidity – Hedging and Other Factors

Certain of our hedging instruments may also impact our liquidity. We use interest rate swaps, swaptions, TBAs, Eurodollar or other futures contracts to hedge interest rate and spread risk associated with our investments in Agency RMBS, including Agency IOs.

With respect to interest rate swaps, futures contracts and TBAs, initial margin deposits, which can be comprised of either cash or securities, will be made upon entering into these contracts. During the period these contracts are open, changes in the value of the contract are recognized as unrealized gains or losses by marking to market on a daily basis to reflect the market value of these contracts at the end of each day's trading. We may be required to satisfy variable margin payments periodically, depending upon whether unrealized gains or losses are incurred. In addition, because delivery of TBAs extend beyond the typical settlement dates for most non-derivative investments, these transactions are more prone to market fluctuations between the trade date and the ultimate settlement date, and thereby are more vulnerable to increasing amounts at risk with the applicable counterparties. The use of TBAs associated with our Agency IO investments creates significant short term payables (and/or receivables) amounting to $148.0 million at December 31, 2016 , and is included in payable for securities purchased on our consolidated balance sheets.

We also use interest rate swaps (separately from interest rate swaps in our Agency IO portfolio) to hedge variable cash flows associated with borrowings made under our financing arrangements and Residential CDOs.

For additional information regarding the Company's derivative instruments and hedging activities for the periods covered by this report, including the fair values and notional amounts of these instruments and realized and unrealized gains and losses relating to these instruments, please see *Note 10* to our consolidated financial statements included in this report. Also, please see Item 7A. Quantitative and Qualitative Disclosures about Market Risk, under the caption, "Fair Value Risk", for a tabular presentation of the sensitivity of the market value and net duration changes of the Company's portfolio across various changes in interest rates, which takes into account the Company's hedging activities.

Liquidity — Securities Offerings

In addition to the financing arrangements described above under the caption "Liquidity—Financing Arrangements," we also rely on secondary equity offerings of common and preferred stock, and may utilize from time to time in the future debt securities offerings, as a source of both short-term and long-term liquidity. We also may generate liquidity through the sale of shares of our common stock in an "at the market" offering program pursuant to an equity distribution agreement (the "ATM Program"), as well as through the sale of shares of our common stock pursuant to our Dividend Reinvestment Plan, or DRIP. Our DRIP provides for the issuance of up to $20,000,000 of shares of our common stock.

On March 20, 2015, the Company entered into separate equity distribution agreements (collectively, the "Equity Distribution Agreements") with each of JMP Securities LLC ("JMP") and MLV & Co. LLC ("MLV"), each an "Agent" and collectively, the "Agents", pursuant to which the Company may sell up to $75,000,000 of aggregate value of (i) shares of the Company's common stock, par value $0.01 per and (ii) shares of the Company's Series B Preferred Stock, from time to time through the Agents. On August 25, 2016, the Company entered into an amendment to the equity distribution agreement with JMP (as amended, the "JMP Agreement") and a separate equity distribution agreement (the "Ladenburg Equity Distribution Agreement" and, together with the JMP Agreement, the "Equity Distribution Agreements") with Ladenburg Thalmann & Co. Inc. ("Ladenburg" and, together with JMP, the "Agents"), pursuant to which the Company may sell the Offered Securities remaining under the existing ATM Program through the Agents. The Company has no obligation to sell any of the shares under the Equity Distribution Agreements and may at any time suspend solicitations and offers under the Equity Distribution Agreements.

On August 19, 2016, in anticipation of the Company's execution of the Equity Distribution Agreements described above, the Company delivered to MLV notice of termination of the equity distribution agreement, dated as of March 20, 2015, by and between the Company and MLV which termination became effective August 22, 2016. During the year ended December 31, 2016 , the Company issued 1,905,206 shares under the Equity Distribution Agreements at an average sales price of $6.87 per share, resulting in total net proceeds to the Company of $12.8 million . Pursuant to the Equity Distribution Agreements, the shares may be offered and sold through the Agents in transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made directly on The Nasdaq Global Select Market or sales made to or through a market maker other than on an exchange or, subject to the terms of a written notice from us, in privately negotiated transactions. We have no obligation to sell any of the shares under the Equity Distribution Agreements and may at any time suspend solicitations and offers under the Equity Distribution Agreements. As of December 31, 2016 , approximately $39.8 million of securities remains available for issuance under the Equity Distribution Agreements.

Management Agreements

We have investment management agreements with Midway and Headlands, pursuant to which we pay these managers a base management and incentive fee, if earned, quarterly in arrears. See "- Results of Operations - Comparison of the Year Ended December 31, 2016 to Year Ended December 31, 2015 - Comparative General, Administrative and Other Expenses" for more information regarding the management fees paid during the year ended December 31, 2016 .

Dividends

For information regarding the declaration and payment of dividends on our preferred stock for the periods covered by this report, please see *Note 17* to our consolidated financial statements included in this report. For information regarding the declaration and payment of dividends on our common stock, see "Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" above.

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

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

Exposure to European financial counterparties

We finance the acquisition of a significant portion of our mortgage-backed securities with repurchase agreements. In connection with these financing arrangements, we pledge our securities as collateral to secure the borrowings. The amount of collateral pledged will typically exceed the amount of the financing with the extent of over-collateralization from 5% of the amount borrowed (in the case of Agency ARM and Agency fixed rate RMBS collateral) and up to 27% (in the case of our CMBS).

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

Several large European banks have experienced financial difficulty in recent years, some of whom have required a rescue or assistance from other large European banks or the European Central Bank. Some of these banks have U.S. banking subsidiaries which have provided repurchase agreement financing or interest rate swap agreements to us in connection with the acquisition of various investments, including mortgage-backed securities investments. We have outstanding repurchase agreement borrowings with Deutsche Bank AG, Cayman Islands Branch, in the amount of $278.5 million at December 31, 2016 , with a net exposure of $129.4 million . In addition, certain of our U.S. based counterparties may have significant exposure to the financial and economic turmoil in Europe which could impact their future lending activities or cause them to default under agreements with us. In the event one or more of these counterparties or their affiliates experience liquidity difficulties in the future, our liquidity could be materially adversely affected.

Inflation

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

Contractual Obligations and Commitments

The Company had the following contractual obligations at December 31, 2016 (dollar amounts in thousands):

	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years	Total
Operating leases	$ 337	$ 701	$ 515	$ 435	$ 1,988
Financing arrangements	965,561	—	—	—	965,561
Subordinated debentures (1)	2,206	4,412	4,419	74,839	85,876
Securitized debt (1)(3)	—	144,154	—	—	144,154
Interest rate swaps (1)	242	176	15	33	466
Management fees (2)	4,261	—	—	—	4,261
Employment agreements	1,450	240	—	—	1,690
Total contractual obligations (3)	$ 974,057	$ 149,683	$ 4,949	$ 75,307	$ 1,203,996

(1) Amounts include projected interest payments during the period. Interest based on interest rates in effect on December 31, 2016 .
(2) Amounts include the base fees for Midway and Headlands based on the current invested capital. The management fees exclude incentive fees which are based on future performance.
(3) We exclude our Residential CDOs from the contractual obligations disclosed in the table above as this debt is non-recourse and not cross-collateralized and, therefore, must be satisfied exclusively from the proceeds of the residential mortgage loans and real estate owned held in the securitization trusts. See *Note 13* in the Notes to Consolidated Financial Statements for further information regarding our Residential CDOs. We also exclude the securitized debt related to our May 2012 re-securitization transaction as this debt is non-recourse to the Company. See *Note 9* in the Notes to Consolidated Financial Statements for further information regarding our Securitized Debt. The Company's Multi-Family CDOs, which represent the CDOs issued by the Consolidated K-Series are excluded as this debt is non-recourse to the Company.

Off-Balance Sheet Arrangements

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

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

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

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

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

Interest Rate Risk

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

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

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

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

Based on the results of the model, the instantaneous changes in interest rates specified below would have had the following effect on net interest income for the next 12 months based on our assets and liabilities as of December 31, 2016 (dollar amounts in thousands):

Changes in Net Interest Income

Changes in Interest Rates (basis points)	**Changes in Net Interest Income**	
+200	$	(1,047)
+100	$	1,168
-100	$	(5,631)

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

Liquidity Risk

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

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

We are subject to “margin call” risk under our repurchase agreements. In the event the value of our assets pledged as collateral suddenly decreases, margin calls relating to our repurchase agreements could increase, causing an adverse change in our liquidity position. Additionally, if one or more of our repurchase agreement counterparties chooses not to provide ongoing funding, we may be unable to replace the financing through other lenders on favorable terms or at all. As such, we provide no assurance that we will be able to roll over our repurchase agreements as they mature from time to time in the future. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" in this Annual Report on Form 10-K for further information about our liquidity and capital resource management.

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

Prepayment Risk

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

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

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

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

Credit Risk

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

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

With respect to the $503.1 million of distressed residential mortgage loans the Company owned at December 31, 2016 , the mortgage loans were purchased at a discount to par reflecting their distressed state or perceived higher risk of default, which may include higher loan to value ratios and, in certain instances, delinquent loan payments. Prior to the acquisition of distressed residential mortgage loans, the Company validates key information provided by the sellers that is necessary to determine the value of the distressed residential mortgage loans. We then seek to maximize the value of the mortgage loans that we acquire either through borrower assisted refinancing, outright loan sale or through foreclosure and resale of the underlying home. We evaluate credit quality on an ongoing basis by reviewing borrower's payment status and current financial and economic condition. Additionally, we look at the carrying value of any delinquent loan and compare to the current value of the underlying collateral.

As of December 31, 2016 , we own $350.9 million of first loss CMBS comprised primarily of first loss POs that are backed by commercial mortgage loans on multi-family properties at a weighted average amortized purchase price of approximately 40.1% of current par. Prior to the acquisition of each of our first loss CMBS securities, the Company completed an extensive review of the underlying loan collateral, including loan level cash flow re-underwriting, site inspections on selected properties, property specific cash flow and loss modeling, review of appraisals, property condition and environmental reports, and other credit risk analyses. We continue to monitor credit quality on an ongoing basis using updated property level financial reports provided by borrowers and periodic site inspection of selected properties. We also reconcile on a monthly basis the actual bond distributions received against projected distributions to assure proper allocation of cash flow generated by the underlying loan pool.

As of December 31, 2016 , we owned approximately $179.4 million of mezzanine loan, preferred equity and equity investments in owners of residential and multi-family properties. The performance and value of these investments depend upon the applicable operating partner's or borrower's ability to effectively operate the multifamily and residential properties, that serve as the underlying collateral, to produce cash flows adequate to pay distributions, interest or principal due to us. The Company monitors the performance and credit quality of the underlying assets that serve as collateral for its investments. In the case of our multi-family investments, the procedures for ongoing monitoring include financial statement analysis and regularly scheduled site inspections of portfolio properties to assess property physical condition, performance of on-site staff and competitive activity in the sub-market. We also formulate annual budgets and performance goals alongside our operating partners for use in measuring the ongoing investment performance and credit quality of our investments.

We are exposed on the credit risk in our investments in non-Agency RMBS backed by re-performing or nonperforming loans totaling $162.1 million as of December 31, 2016 . Our non-Agency RMBS backed by re-performing or nonperforming loans were purchased primarily through new issue at prices at or around par and represent the senior tranches of the related securitizations. The non-Agency RMBS backed by re-performing or nonperforming loans are structured with significant credit enhancement (typically approximately 50%) and the subordinate tranches absorb all credit losses (until those tranches are extinguished) and typically receive no cash flow (interest or principal) until the senior tranche is paid off. Prior to purchase, we analyze the deal structure in order to assess the associated credit risk. Subsequent to purchase, the ongoing credit risk associated with the deal is evaluated by analyzing the extent to which actual credit losses occur that result in a reduction in the amount of subordination enjoyed by our bond. Based on the recent performance of the collateral underlying our non-Agency RMBS backed by re-performing or nonperforming loans and current subordination levels, we do not believe that we are currently exposed to significant risk of credit loss on these investments.

Fair Value Risk

Changes in interest rates also expose us to market value (fair value) fluctuation on our assets, liabilities and hedges. While the fair value of the majority of our assets (when excluding all Consolidated K-Series assets other than the securities we actually own) that are measured on a recurring basis are determined using Level 2 fair values, we own certain assets, such as our first loss PO CMBS investments, for which fair values may not be readily available if there are no active trading markets for the instruments. In such cases, fair values would only be derived or estimated for these investments using various valuation techniques, such as computing the present value of estimated future cash flows using discount rates commensurate with the risks involved. However, the determination of estimated future cash flows is inherently subjective and imprecise. Minor changes in assumptions or estimation methodologies can have a material effect on these derived or estimated fair values. Our fair value estimates and assumptions are indicative of the interest rate environments as of December 31, 2016 , and do not take into consideration the effects of subsequent interest rate fluctuations.

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

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

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

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

The table below presents the sensitivity of the market value and net duration changes of our portfolio as of December 31, 2016 , using a discounted cash flow simulation model assuming an instantaneous interest rate shift. Application of this method results in an estimation of the fair market value change of our assets, liabilities and hedging instruments per 100 basis point ("bp") shift in interest rates.

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

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

Market Value Changes

Changes in Interest Rates	**Changes in Market Value**		**Net Duration**
(basis points)	($ amounts in thousands)		
+200	$	(84,424)	2.97
+100	$	(42,551)	2.89
Base			2.4
-100	$	34,049	1.83

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

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

There are a number of key assumptions in our earnings simulation model. These key assumptions include changes in market conditions that affect interest rates, the pricing of our portfolio, the availability of investment assets and the availability and the cost of financing for portfolio assets. Other key assumptions made in using the simulation model include prepayment speeds and management's investment, financing and hedging strategies. The assumptions used represent our estimate of the likely effect of changes in interest rates and do not necessarily reflect actual results. The earnings simulation model takes into account periodic and lifetime caps embedded in our assets in determining the earnings at risk.

Item 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

Our financial statements and the related notes, together with the Report of Independent Registered Public Accounting Firm thereon, as required by this Item 8, are set forth beginning on page F-1 of this Annual Report on Form 10-K and are incorporated herein by reference.

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

None.

Item 9A. ***CONTROLS AND PROCEDURES***

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosures. An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2016 . Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2016 .

Management's Report on Internal Control Over Financial Reporting . Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the reliability, preparation and fair presentation of published financial statements in accordance with generally accepted accounting principles. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework (2013)* (the "COSO framework"). Based on our evaluation under the COSO framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2016 .

The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report which appears in Item 15(a) of this Annual Report on Form 10-K and is incorporated by reference herein.

Changes in Internal Control Over Financial Reporting. There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Item 9B. ***OTHER INFORMATION***

None.

PART III

Item 10. *DIRECTORS, EXECUTIVE OFFICER AND CORPORATE GOVERNANCE*

The information required by this item is included in our Proxy Statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2016 (the " 2017 Proxy Statement") and is incorporated herein by reference.

Item 11. *EXECUTIVE COMPENSATION*

The information required by this item is included in the 2017 Proxy Statement and is incorporated herein by reference.

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

Except as set forth below, the information required by this item is included in the 2017 Proxy Statement and is incorporated herein by reference.

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

Item 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE*

The information required by this item is included in the 2017 Proxy Statement and is incorporated herein by reference.

Item 14. *PRINCIPAL ACCOUNTING FEES AND SERVICES*

The information required by this item is included in the 2017 Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. *EXHIBITS, FINANCIAL STATEMENT SCHEDULES*

(a) Financial Statements

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEW YORK MORTGAGE TRUST, INC.

Date: February 28, 2017	By:	/s/ Steven R. Mumma
		Steven R. Mumma Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
Date: February 28, 2017	By:	/s/ Kristine R. Nario
		Kristine R. Nario Chief Financial Officer (Principal Financial and Accounting Officer)

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

Signature	Title	Date
/s/ Steven R. Mumma Steven R. Mumma	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	February 28, 2017
/s/ Kristine R. Nario Kristine R. Nario	Chief Financial Officer (Principal Financial and Accounting Officer)	February 28, 2017
/s/ Kevin M. Donlon Kevin M. Donlon	President and Director	February 28, 2017
/s/ Michael B Clement Michael B Clement	Director	February 28, 2017
/s/ Alan L. Hainey Alan L. Hainey	Director	February 28, 2017
/s/ Steven G. Norcutt Steven G. Norcutt	Director	February 28, 2017
David R. Bock	Director	February 28, 2017

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AND

REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

For Inclusion in Form 10-K

Filed with

United States Securities and Exchange Commission

December 31, 2016

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of New York Mortgage Trust, Inc. (a Maryland corporation) and subsidiaries (the "Company") as of December 31, 2016 and 2015 , and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2016 . Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(a). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New York Mortgage Trust, Inc. and subsidiaries as of December 31, 2016 and 2015 , and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016 , based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2017 expressed an unqualified opinion.

/s/ Grant Thornton LLP

New York, New York
February 28, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of New York Mortgage Trust, Inc. (a Maryland corporation) and subsidiaries (the "Company") as of December 31, 2016 , based on criteria established in the *2013 Internal Control-Integrated Framewor* k issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016 based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2016 , and our report dated February 28, 2017 expressed an unqualified opinion on those financial statements.

/s/ Grant Thornton LLP

New York, New York
February 28, 2017

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

	December 31, 2016	December 31, 2015
ASSETS		
Investment securities, available for sale, at fair value (including $43,897 and $40,734 held in securitization trusts as of December 31, 2016 and December 31, 2015, respectively and pledged securities of $690,592 and $639,683, as of December 31, 2016 and December 31, 2015, respectively)	$ 818,976	$ 765,454
Residential mortgage loans held in securitization trusts (net)	95,144	119,921
Distressed residential mortgage loans, net (including $195,347 and $114,214 held in securitization trusts as of December 31, 2016 and December 31, 2015, respectively)	503,094	558,989
Multi-family loans held in securitization trusts, at fair value	6,939,844	7,105,336
Derivative assets	150,296	228,775
Cash and cash equivalents	83,554	61,959
Investment in unconsolidated entities	79,259	87,662
Mezzanine loan and preferred equity investments	100,150	44,151
Goodwill	25,222	—
Receivables and other assets	156,092	83,995
Total Assets [(1)]	$ 8,951,631	$ 9,056,242
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Financing arrangements, portfolio investments	$ 773,142	$ 577,413
Financing arrangements, residential mortgage loans	192,419	212,155
Residential collateralized debt obligations	91,663	116,710
Multi-family collateralized debt obligations, at fair value	6,624,896	6,818,901
Securitized debt	158,867	116,541
Derivative liabilities	498	1,500
Payable for securities purchased	148,015	227,969
Accrued expenses and other liabilities	65,969	59,527
Subordinated debentures	45,000	45,000
Total liabilities [(1)]	$ 8,100,469	$ 8,175,716
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, $0.01 par value, 7.75% Series B cumulative redeemable, $25 liquidation preference per share, 6,000,000 shares authorized, 3,000,000 shares issued and outstanding	$ 72,397	$ 72,397
Preferred stock, $0.01 par value, 7.875% Series C cumulative redeemable, $25 liquidation preference per share, 4,140,000 shares authorized, 3,600,000 shares issued and outstanding	86,862	86,862
Common stock, $0.01 par value, 400,000,000 shares authorized, 111,474,521 and 109,401,721 shares issued and outstanding as of December 31, 2016 and December 31, 2015, respectively	1,115	1,094
Additional paid-in capital	748,599	734,610
Accumulated other comprehensive income (loss)	1,639	(2,854)
Accumulated deficit	(62,537)	(11,583)
Company's stockholders' equity	848,075	880,526
Non-controlling interest	3,087	—
Total equity	$ 851,162	$ 880,526
Total Liabilities and Stockholders' Equity	$ 8,951,631	$ 9,056,242

(1) Our consolidated balance sheets include assets and liabilities of consolidated variable interest entities ("VIEs") as the Company is the primary beneficiary of these VIEs. As of December 31, 2016 and December 31, 2015 , assets of consolidated VIEs totaled $7,330,872 and $7,412,093 , respectively, and the liabilities of consolidated VIEs totaled $6,902,536 and $7,077,175 , respectively. See Note 9 for further discussion.

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

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

	For the Years Ended December 31, 2016	2015	2014
INTEREST INCOME:			
Investment securities and other	$ 33,696	$ 36,390	$ 54,391
Multi-family loans held in securitization trusts	249,191	257,417	301,877
Residential mortgage loans held in securitization trusts	3,770	3,728	3,755
Distressed residential mortgage loans	32,649	39,303	18,824
Total interest income	$ 319,306	$ 336,838	$ 378,847
INTEREST EXPENSE:			
Investment securities and other	$ 17,764	$ 13,737	$ 5,569
Multi-family collateralized debt obligations	222,553	232,971	275,916
Residential collateralized debt obligations	1,246	936	904
Securitized debt	11,044	11,126	16,762
Subordinated debentures	2,061	1,881	1,859
Total interest expense	$ 254,668	$ 260,651	$ 301,010
NET INTEREST INCOME	$ 64,638	$ 76,187	$ 77,837
OTHER INCOME (LOSS):			
Recovery (provision) for loan losses	$ 838	$ (1,363)	$ (1,939)
Realized (loss) gain on investment securities and related hedges, net	(3,645)	(4,617)	42,091
Gain on de-consolidation of multi-family loans held in securitization trust and multi-family collateralized debt obligations	—	1,483	—
Realized gain on distressed residential mortgage loans	14,865	31,251	14,380
Unrealized gain (loss) on investment securities and related hedges, net	7,070	(2,641)	(7,667)
Unrealized gain on multi-family loans and debt held in securitization trusts, net	3,032	12,368	56,931
Loss on extinguishment of debt	—	—	(3,397)
Other income	19,078	9,360	4,809
Total other income	$ 41,238	$ 45,841	$ 105,208
Base management and incentive fees	$ 9,261	$ 19,188	$ 24,530
Expenses related to distressed residential mortgage loans	10,714	10,364	6,429
Other general and administrative expenses	15,246	9,928	9,500
Total general, administrative and other expenses	$ 35,221	$ 39,480	$ 40,459
INCOME FROM OPERATIONS BEFORE INCOME TAXES	$ 70,655	$ 82,548	$ 142,586
Income tax expense	3,095	4,535	6,395
NET INCOME	$ 67,560	$ 78,013	$ 136,191
Net income attributable to non-controlling interest	(9)	—	—
NET INCOME ATTRIBUTABLE TO COMPANY	$ 67,551	$ 78,013	$ 136,191
Preferred stock dividends	(12,900)	(10,990)	(5,812)
NET INCOME ATTRIBUTABLE TO COMPANY'S COMMON STOCKHOLDERS	$ 54,651	$ 67,023	$ 130,379
Basic income per common share	$ 0.50	$ 0.62	$ 1.48
Diluted income per common share	$ 0.50	$ 0.62	$ 1.48
Weighted average shares outstanding-basic	109,594	108,399	87,867
Weighted average shares outstanding-diluted	109,594	108,399	87,867

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

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

	For the Years Ended December 31,		
	2016	**2015**	**2014**
NET INCOME ATTRIBUTABLE TO COMPANY'S COMMON STOCKHOLDERS	$ 54,651	$ 67,023	$ 130,379
OTHER COMPREHENSIVE INCOME (LOSS)			
Increase (decrease) in fair value of available for sale securities	4,695	(2,975)	20,881
Reclassification adjustment for net gain included in net income	—	(9,063)	(13,033)
Decrease in fair value of derivative instruments utilized for cash flow hedges	(202)	(831)	(906)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	$ 4,493	$ (12,869)	$ 6,942
COMPREHENSIVE INCOME ATTRIBUTABLE TO COMPANY'S COMMON STOCKHOLDERS	$ 59,144	$ 54,154	$ 137,321

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

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2016, 2015 and 2014
(Dollar amounts in thousands)

	Common Stock	Preferred Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Company Stockholders' Equity	Non-Controlling Interest	Total
Balance, December 31, 2013	$ 641	$ 72,397	$ 404,555	$ —	$ 3,073	$ 480,666	$ —	$ 480,666
Net income	—	—	—	136,191	—	136,191	—	136,191
Common Stock issuance, net	410	—	297,316	—	—	297,726	—	297,726
Dividends declared on common stock	—	—	—	(97,786)	—	(97,786)	—	(97,786)
Dividends declared on preferred stock	—	—	—	(5,812)	—	(5,812)	—	(5,812)
Reclassification adjustment for net gain included in net income	—	—	—	—	(13,033)	(13,033)	—	(13,033)
Increase in fair value of available for sale securities	—	—	—	—	20,881	20,881	—	20,881
Decrease in fair value of derivative instruments utilized for cash flow hedges	—	—	—	—	(906)	(906)	—	(906)
Balance, December 31, 2014	$ 1,051	$ 72,397	$ 701,871	$ 32,593	$ 10,015	$ 817,927	$ —	$ 817,927
Net income	—	—	—	78,013	—	78,013	—	78,013
Common Stock issuance, net	43	—	32,739	—	—	32,782	—	32,782
Preferred Stock issuance, net	—	86,862	—	—	—	86,862	—	86,862
Dividends declared on common stock	—	—	—	(111,199)	—	(111,199)	—	(111,199)
Dividends declared on preferred stock	—	—	—	(10,990)	—	(10,990)	—	(10,990)
Reclassification adjustment for net gain included in net income	—	—	—	—	(9,063)	(9,063)	—	(9,063)
Decrease in fair value of available for sale securities	—	—	—	—	(2,975)	(2,975)	—	(2,975)
Decrease in fair value of derivative instruments utilized for cash flow hedges	—	—	—	—	(831)	(831)	—	(831)
Balance, December 31, 2015	$ 1,094	$ 159,259	$ 734,610	$ (11,583)	$ (2,854)	$ 880,526	$ —	$ 880,526
Net income	—	—	—	67,551	—	67,551	9	67,560
Common Stock issuance, net	21	—	13,989	—	—	14,010	—	14,010
Dividends declared on common stock	—	—	—	(105,605)	—	(105,605)	—	(105,605)
Dividends declared on preferred stock	—	—	—	(12,900)	—	(12,900)	—	(12,900)
Increase in fair value of available for sale securities	—	—	—	—	4,695	4,695	—	4,695
Decrease in fair value of derivative instruments utilized for cash flow hedges	—	—	—	—	(202)	(202)	—	(202)
Increase in non-controlling interest related to consolidation of interest in a limited liability company	—	—	—	—	—	—	3,078	3,078
Balance, December 31, 2016	$ 1,115	$ 159,259	$ 748,599	$ (62,537)	$ 1,639	$ 848,075	$ 3,087	$ 851,162

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

Table of Contents

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

	For the Years Ended December 31,		
	2016	2015	2014
Cash Flows from Operating Activities:			
Net income	$ 67,560	$ 78,013	$ 136,191
Adjustments to reconcile net income to net cash provided by operating activities:			
Net amortization (accretion)	7,648	542	(2,671)
Realized loss (gain) on investment securities and related hedges, net	3,645	4,617	(42,091)
Realized gain on distressed residential mortgage loans	(14,865)	(31,251)	(14,380)
Unrealized (gain) loss on investment securities and related hedges, net	(7,070)	2,641	7,667
Gain on de-consolidation of multi-family loans held in securitization trusts and multi-family collateralized debt obligations	—	(1,483)	—
Gain on remeasurement of existing membership interest in businesses acquired	(5,052)	—	—
Gain on bargain purchase on businesses acquired	(65)	—	—
Unrealized gain on loans and debt held in multi-family securitization trusts	(3,032)	(12,368)	(56,931)
Loss on extinguishment of debt	—	—	3,397
Net decrease in loans held for sale	432	323	87
(Recovery of) provision for loan losses	(838)	1,363	1,939
Income from unconsolidated entity, mezzanine loan and preferred equity investments	(22,202)	(12,997)	(4,562)
Distributions of income from unconsolidated entity, mezzanine loan and preferred equity investments	15,801	9,827	2,238
Amortization of stock based compensation, net	514	983	1,180
Changes in operating assets and liabilities:			
Receivables and other assets	6,756	10,945	(3,631)
Accrued expenses and other liabilities and accrued expenses, related parties	4,612	(14,819)	9,118
Net cash provided by operating activities	$ 53,844	$ 36,336	$ 37,551
Cash Flows from Investing Activities:			
Acquisition of businesses, net of cash acquired	$ (28,468)	$ —	$ —
Restricted cash	(35,172)	33,448	(10,150)
Proceeds from sales of investment securities	208,229	99,235	93,578
Purchases of investment securities	(423,175)	(152,883)	(20,273)
Redemption (purchases) of FHLBI stock	5,445	(5,445)	—
Purchases of other assets	(103)	(61)	(254)
Funding of mezzanine loans, equity and preferred equity investments	(46,896)	(58,215)	(49,816)
Principal repayments received on mezzanine loans and preferred equity investments	4,464	4,308	5,590
Return of capital from unconsolidated entities and preferred equity investments	10,940	—	—
Net (payments) proceeds from other derivative instruments settled during the period	(933)	(5,766)	1,124
Principal repayments received on residential mortgage loans held in securitization trusts	23,648	28,166	12,687
Principal repayments and proceeds from sales and refinancing of distressed residential mortgage loans	122,552	238,798	64,715
Principal repayments received on multi-family loans held in securitization trusts	136,331	85,980	80,451
Principal paydowns on investment securities - available for sale	136,836	105,774	98,877
Proceeds from sale of real estate owned	2,131	1,044	3,882
Purchases of residential mortgage loans and distressed residential mortgage loans	(82,167)	(156,005)	(405,427)
Proceeds from sales of loans held in multi-family securitization trusts	—	65,587	—
Net cash provided by (used in) investing activities	$ 33,662	$ 283,965	$ (125,016)
Cash Flows from Financing Activities:			
Proceeds from (payments made on) financing arrangements, net of FHLBI advances and payments	$ 175,993	$ (99,011)	$ 99,789
Proceeds from issuance of securitized debt	166,347	—	—
Common stock issuance, net	13,496	31,799	296,546
Preferred stock issuance, net	—	86,862	—
Dividends paid on common stock	(105,108)	(113,318)	(86,705)

Dividends paid on preferred stock	(12,900)	(9,218)	(5,812)
Payments made on residential collateralized debt obligations	(25,152)	(28,952)	(12,918)
Payments made on multi-family collateralized debt obligations	(136,314)	(85,966)	(83,839)
Payments made on securitized debt	(126,018)	(116,136)	(75,796)
Redemption of preferred equity	(16,255)	—	—
Net cash (used in) provided by financing activities	$ (65,911)	$ (333,940)	$ 131,265
Net Increase (Decrease) in Cash and Cash Equivalents	21,595	(13,639)	43,800
Cash and Cash Equivalents - Beginning of Period	61,959	75,598	31,798
Cash and Cash Equivalents - End of Period	$ 83,554	$ 61,959	$ 75,598

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

Supplemental Disclosure:			
Cash paid for interest	$ 300,992	$ 307,162	$ 352,232
Cash paid for income taxes	$ 4,061	$ 4,922	$ 8,295
Non-Cash Investment Activities:			
Purchase of investment securities not yet settled	$ 148,015	$ 227,969	$ 283,537
Deconsolidation of multi-family loans held in securitization trusts	—	1,075,529	—
Deconsolidation of multi-family collateralized debt obligations	—	1,009,942	—
Non-Cash Financing Activities:			
Dividends declared on common stock to be paid in subsequent period	$ 26,754	$ 26,256	$ 28,376
Dividends declared on preferred stock to be paid in subsequent period	$ 3,225	$ 3,225	$ 1,453

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016

1. Organization

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

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

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

2. Summary of Significant Accounting Policies

Definitions – The following defines certain of the commonly used terms in these financial statements:

"RMBS" refers to residential adjustable-rate, hybrid adjustable-rate, fixed-rate, interest only and inverse interest only and principal only mortgage-backed securities;

"Agency RMBS" refers to RMBS representing interests in or obligations backed by pools of mortgage loans issued or guaranteed by a federally chartered corporation ("GSE"), such as the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac"), or an agency of the U.S. government, such as the Government National Mortgage Association ("Ginnie Mae");

"Non-Agency RMBS" refers to RMBS backed by prime jumbo mortgage loans, including re-performing and non-performing loans;

"IOs" refers collectively to interest only and inverse interest only mortgage-backed securities that represent the right to the interest component of the cash flow from a pool of mortgage loans;

"POs" refers to mortgage-backed securities that represent the right to the principal component of the cash flow from a pool of mortgage loans;

"Agency IOs" refers to an IO that represents the right to the interest component of the cash flows from a pool of residential mortgage loans issued or guaranteed by a GSE or an agency of the U.S. government;

"ARMs" refers to adjustable-rate residential mortgage loans;

"Prime ARM loans" and "residential securitized loans" each refer to prime credit quality residential ARM loans ("prime ARM loans") held in securitization trusts formed in 2005;

"Agency ARMs" refers to Agency RMBS comprised of adjustable-rate and hybrid adjustable-rate RMBS;

"Agency fixed-rate RMBS" refers to Agency RMBS comprised of fixed-rate RMBS;

"CMBS" refers to commercial mortgage-backed securities comprised of commercial mortgage pass-through securities, as well as IO or PO securities that represent the right to a specific component of the cash flow from a pool of commercial mortgage loans;

"Multi-family CMBS" refers to CMBS backed by commercial mortgage loans on multi-family properties;

"CDOs" refers to collateralized debt obligations; and

"CLO" refers to collateralized loan obligations.

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

Reclassifications – Certain prior period amounts have been reclassified in the consolidated financial statements to conform to current period presentation.

Business Combinations – The Company evaluates each purchase transaction to determine whether the acquired assets meet the definition of a business. The Company accounts for business combinations by applying the acquisition method in accordance with Accounting Standards Codification ("ASC") 805, *Business Combinations* . Transaction costs related to acquisition of a business are expensed as incurred and excluded from the fair value of consideration transferred. The identifiable assets acquired, liabilities assumed and non-controlling interests, if any, in an acquired entity are recognized and measured at their estimated fair values. The excess of the fair value of consideration transferred over the fair values of identifiable assets acquired, liabilities assumed and non-controlling interests, if any, in an acquired entity, net of fair value of any previously held interest in the acquired entity, is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets and liabilities.

Contingent consideration is classified as a liability or equity, as applicable. Contingent consideration in connection with the acquisition of a business is measured at fair value on acquisition date, and unless classified as equity, is remeasured at fair value each reporting period thereafter until the consideration is settled, with changes in fair value included in net income.

Net cash paid to acquire a business is classified as investing activities on the accompanying consolidated statements of cash flows.

On May 16, 2016, the Company acquired the outstanding membership interests in RiverBanc LLC ("RiverBanc"), RB Multifamily Investors LLC ("RBMI"), and RB Development Holding Company, LLC ("RBDHC") that were not previously owned by the Company through the consummation of separate membership interest purchase agreements, thereby increasing the Company's ownership of each of these entities to 100% (*see Note 21*). These transactions were accounted for by applying the acquisition method for business acquisitions under ASC 805.

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

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

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

The Company generally intends to hold its investment securities until maturity; however, from time to time, it may sell any of its securities as part of the overall management of its business. As a result, our investment securities are classified as available for sale securities. Realized gains and losses recorded on the sale of investment securities available for sale are based on the specific identification method and included in realized (loss) gain on investment securities and related hedges in the accompanying consolidated statements of operations.

Interest income on our investment securities available for sale is accrued based on the outstanding principal balance and their contractual terms. Purchase premiums or discounts on investment securities are amortized or accreted to interest income over the estimated life of the investment securities using the effective yield method. Adjustments to amortization are made for actual prepayment activity.

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

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

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

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

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

Residential Mortgage Loans Held in Securitization Trusts – Residential mortgage loans held in securitization trusts are comprised of certain ARM loans transferred to Consolidated VIEs that have been securitized into sequentially rated classes of beneficial interests. The Company accounted for these securitization trusts as financings which are consolidated into the Company’s financial statements. Residential mortgage loans held in securitization trusts are carried at their unpaid principal balances, net of unamortized premium or discount, unamortized loan origination costs and allowance for loan losses. Interest income is accrued and recognized as revenue when earned according to the terms of the mortgage loans and when, in the opinion of management, it is collectible. The accrual of interest on loans is discontinued when, in management’s opinion, the interest is not collectible in the normal course of business, but in all cases when payment becomes greater than 90 days delinquent. Loans return to accrual status when principal and interest become current and are anticipated to be fully collectible.

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

Acquired Distressed Residential Mortgage Loans – Distressed residential mortgage loans are comprised of pools of fixed and adjustable rate residential mortgage loans acquired by the Company at a discount, with evidence of credit deterioration since their origination and where it is probable that the Company will not collect all contractually required principal payments. Distressed residential mortgage loans held in securitization trusts are distressed residential mortgage loans transferred to Consolidated VIEs that have been securitized into beneficial interests. The Company accounted for these securitization trusts as financings which are consolidated into the Company’s financial statements.

Acquired distressed residential mortgage loans that have evidence of deteriorated credit quality at acquisition are accounted for under ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality* ("ASC 310-30"). Management evaluates whether there is evidence of credit quality deterioration as of the acquisition date using indicators such as past due or modified status, risk ratings, recent borrower credit scores and recent loan-to-value percentages. Acquired distressed residential mortgage loans are recorded at fair value at the date of acquisition, with no allowance for loan losses. Under ASC 310-30, the acquired loans may be accounted for individually or aggregated and accounted for as a pool of loans if the loans being aggregated have common risk characteristics. A pool is accounted for as a single asset with a single composite interest rate and an expectation of aggregate cash flows. Once a pool is assembled, it is treated as if it was one loan for purposes of applying the accounting guidance.

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

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

A distressed residential mortgage loan disposal, which may include a loan sale, receipt of payment in full from the borrower or foreclosure, results in removal of the loan from the loan pool at its allocated carrying amount. In the event of a sale of the loan and receipt of payment (in full or partial) from the borrower, a gain or loss on sale is recognized and reported based on the difference between the sales proceeds or payment from the borrower and the allocated carrying amount of the acquired distressed residential mortgage loan. In the case of a foreclosure, an individual loan is removed from the pool and a loss is recognized if the carrying value exceeds the fair value of the collateral less costs to sell. A gain is not recognized if the fair value of collateral less costs to sell exceeds the carrying value.

The Company uses the specific allocation method for the removal of loans as the estimated cash flows and related carrying amount for each individual loan are known. In these cases, the remaining accretable yield is unaffected and any material change in remaining effective yield caused by the removal of the loan from the pool is addressed by the re-assessment of the estimate of cash flows for the pool prospectively.

Acquired distressed residential mortgage loans subject to modification are not removed from the pool even if those loans would otherwise be considered troubled debt restructurings because the pool, and not the individual loan, represents the unit of account.

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

Multi-Family Loans Held in Securitization Trusts – Multi-family loans held in securitization trusts are comprised of multi-family mortgage loans held in five Freddie Mac-sponsored multi-family K-Series securitizations (the “Consolidated K-Series”) as of December 31, 2016 and December 31, 2015 . Based on a number of factors, we determined that we were the primary beneficiary of each VIE within the Consolidated K-Series, met the criteria for consolidation and, accordingly, have consolidated these Freddie Mac-sponsored multi-family K-Series securitizations, including their assets, liabilities, income and expenses in our financial statements. The Company has elected the fair value option on each of the assets and liabilities held within the Consolidated K-Series, which requires that changes in valuations be reflected in the Company's accompanying consolidated statements of operations. The Company adopted Accounting Standards Update ("ASU") 2014-13, *Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity,* effective January 1, 2016. As a result, the Company measures both the financial assets and financial liabilities of a qualifying consolidated collateralized financing entity ("CFE") using the fair value of either the CFE’s financial assets or financial liabilities, whichever is more observable. As the Company’s securitization trusts are considered qualifying CFEs, the Company determines the fair value of multi-family loans held in securitization trusts based on the fair value of its multi-family collateralized debt obligations and its retained interests from these securitizations (eliminated in consolidation in accordance with U.S. GAAP), as the fair value of these instruments is more observable.

Interest income is accrued and recognized as revenue when earned according to the terms of the multi-family loans and when, in the opinion of management, it is collectible. The accrual of interest on multi-family loans is discontinued when, in management’s opinion, the interest is not collectible in the normal course of business, but in all cases when payment becomes greater than 90 days delinquent. The multi-family loans return to accrual status when principal and interest become current and are anticipated to be fully collectible.

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

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

Mezzanine loans and preferred equity investments, where the risks and payment characteristics are equivalent to mezzanine loans, are accounted for as loans and are stated at unpaid principal balance, adjusted for any unamortized premium or discount, deferred fees or expenses, net of valuation allowances, and are included in receivables and other assets in the accompanying consolidated balance sheets. The Company has evaluated its mezzanine loan and preferred equity investments for accounting treatment as loans versus equity investment utilizing the guidance provided by the ADC Arrangements Subsection of ASC 310, *Receivables* .

For mezzanine loan and preferred equity investments where the characteristics, facts and circumstances indicate that loan accounting treatment is appropriate, the Company accretes or amortizes any discounts or premiums and deferred fees and expenses over the life of the related asset utilizing the effective interest method or straight line-method, if the result is not materially different.

Management evaluates the collectability of both interest and principal of each of our loans, if circumstances warrant, to determine whether they are impaired. A loan is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the investment to the estimated fair value of the loan or, as a practical expedient, to the value of the collateral if the loan is collateral dependent. Interest income is accrued and recognized as revenue when earned according to the terms of the loans and when, in the opinion of management, it is collectible. The accrual of interest on loans is discontinued when, in management's opinion, the interest is not collectible in the normal course of business, but in all cases when payment becomes greater than 90 days delinquent. Loans return to accrual status when principal and interest become current and are anticipated to be fully collectible.

Mezzanine loans and preferred equity investments where the risks and payment characteristics are equivalent to an equity investment are accounted for using the equity method of accounting. See " *Investment in Unconsolidated Entities* ".

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

Investment in Unconsolidated Entities – Non-controlling, unconsolidated ownership interests in an entity may be accounted for using the equity method or the cost method. In circumstances where the Company has a non-controlling interest but either owns a significant interest or is able to exert influence over the affairs of the enterprise, the Company utilizes the equity method of accounting. Under the equity method of accounting, the initial investment is increased each period for additional capital contributions and a proportionate share of the entity's earnings or preferred return and decreased for cash distributions and a proportionate share of the entity's losses. Management periodically reviews its investments for impairment based on projected cash flows from the entity over the holding period. When any impairment is identified, the investments are written down to recoverable amounts.

The Company may elect the fair value option for an investment in an unconsolidated entity that is accounted for using the equity method. The Company elected the fair value option for certain investments in unconsolidated entities that own interests (directly or indirectly) in commercial and residential real estate assets because the Company determined that such presentation represents the underlying economics of the respective investment. The Company records the change in fair value of its investment in other income in the consolidated statements of operations. The Company had investments in unconsolidated entities at fair value option included in investment in unconsolidated entities in the amounts of $60.3 million and $67.6 million as of December 31, 2016 and December 31, 2015 , respectively.

Real Estate Under Development – The Company's expenditures which directly relate to the acquisition, development, construction and improvement of properties are capitalized, at cost. During the development period, which culminates once a property is substantially complete and ready for intended use, operating and carrying costs such as interest expense, real estate taxes, insurance and other direct costs are capitalized. Advertising and general administrative costs that do not relate to the development of a property are expensed as incurred. Real estate under development as of December 31, 2016 and December 31, 2015 of $17.5 million and $0 , respectively, is included in receivables and other assets on the consolidated balance sheets.

The Company periodically evaluates its long-lived assets for indicators of impairment. The judgments regarding the existence of impairment indicators are based on factors such as operational performance, market conditions and legal and environmental concerns, as well as the Company's ability to hold and its intent with regard to each asset. Future events could occur which would cause the Company to conclude that impairment indicators exist and an impairment is warranted. If impairment indicators exist for long-lived assets to be held and used, and the expected future undiscounted cash flows are less than the carrying amount of the asset, then the Company will record an impairment loss for the difference between the fair value of the asset and its carrying amount. If the asset is to be disposed of, then an impairment loss is recognized for the difference between the estimated fair value of the asset, less costs to sell, and its carrying amount.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, amounts due from banks and overnight deposits, all of which have original maturities of 90 days or less. The Company maintains its cash and cash equivalents in highly rated financial institutions, and at times these balances exceed insurable amounts.

Goodwill – Goodwill represents the excess of the fair value of consideration transferred in a business combination over the fair values of identifiable assets acquired, liabilities assumed and non-controlling interests, if any, in an acquired entity, net of fair value of any previously held interest in the acquired entity. Goodwill is not amortized but tested for impairment annually or more frequently if events or circumstances indicate that goodwill may be impaired. Goodwill of $25.2 million as of December 31, 2016 relates to the Company's multifamily investment reporting unit.

Goodwill is evaluated for impairment on an annual basis, or more frequently if the Company believes indicators of impairment exist, by initially performing a qualitative screen and, if necessary, then comparing fair value of the reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit is less than the carrying value, a second step is performed to determine the implied fair value of goodwill. If the implied fair value of goodwill is lower than its carrying value, an impairment charge equal to the difference is recorded. The Company evaluated goodwill as of October 1, 2016 and no impairment was indicated.

Intangible Assets – Intangible assets consisting of acquired trade name, acquired technology, and employment/non-compete agreements with useful lives ranging from 1 to 10 years are included in receivables and other assets on the consolidated balance sheets. Intangible assets with estimable useful lives are amortized on a straight-line basis over their respective estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The useful lives of intangible assets are evaluated on an annual basis to determine whether events and circumstances warrant a revision to the remaining useful life.

Receivables and Other Assets – Receivables and other assets as of December 31, 2016 and 2015 include restricted cash held by third parties of $56.0 million and $20.8 million , respectively. Included in restricted cash is $ 35.6 million and $ 11.6 million held in our Agency IO portfolio to be used for trading purposes and $6.1 million and $6.3 million held by counterparties as collateral for hedging instruments as of December 31, 2016 and 2015 , respectively. Interest receivable on multi-family loans held in securitization trusts is also included in receivables and other assets in the amounts of $24.1 million and $24.6 million as of December 31, 2016 and 2015 , respectively.

Financing Arrangements, Portfolio Investments – The Company finances the majority of its investment securities available for sale using repurchase agreements. Under a repurchase agreement, an asset is sold to a counterparty to be repurchased at a future date at a predetermined price, which represents the original sales price plus interest. The Company accounts for these repurchase agreements as financings and are carried at their contractual amounts, as specified in the respective agreements. Borrowings under repurchase agreements generally bear interest rates of a specified margin over one-month LIBOR.

On February 20, 2015, our wholly-owned, captive-insurance subsidiary, Great Lakes Insurance Holdings LLC (“GLIH”), became a member of the Federal Home Loan Bank of Indianapolis (“FHLBI”). On January 12, 2016, the regulator of the Federal Home Loan Bank ("FHLB") system, the Federal Housing Finance Agency, released a final rule that amends regulations governing FHLB membership, including preventing captive insurance companies from being eligible for FHLB membership. Under the terms of the final rule, the Company's captive insurance subsidiary was required to terminate its membership and repay its existing advances within one year following the effective date of the final rule. In addition, the Company's captive insurance subsidiary was prohibited from taking new advances or renewing existing maturing advances during the one year transition period. The final rule became effective on February 19, 2016. During January 2016, the Company repaid all of its outstanding FHLBI advances, which repayment was funded primarily through repurchase agreement financing. On December 15, 2016, FHLBI redeemed our remaining 21,700 shares of stock completing the withdrawal of our membership.

Financing Arrangements, Residential Mortgage Loans – The Company finances a portion of its residential mortgage loans, including its distressed residential mortgage loans through repurchase agreements that expire within 12 - 15 months. The borrowings under the repurchase agreements bear an interest rate of a specified margin over one-month LIBOR. The repurchase agreements are treated as collateralized financing transactions and carried at the contractual amounts, as specified in the respective agreement. Costs related to the establishment of the repurchase agreement which include underwriting, legal, accounting and other fees are reflected as deferred charges. Such costs are presented as a deduction from the corresponding debt liability on the Company's accompanying consolidated balance sheets in the amount of $1.3 million and $2.3 million as of December 31, 2016 and December 31, 2015 , respectively. These deferred charges are amortized as an adjustment to interest expense using the effective interest method, or straight line-method, if the result is not materially different.

Residential Collateralized Debt Obligations (“Residential CDOs”) – We use Residential CDOs to permanently finance our residential mortgage loans held in securitization trusts. For financial reporting purposes, the ARM loans held as collateral are recorded as assets of the Company and the Residential CDOs are recorded as the Company’s debt. The Company completed four securitizations in 2005 and 2006. The first three were accounted for as a permanent financing while the fourth was accounted for as a sale and accordingly, is not included in the Company’s accompanying consolidated financial statements.

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

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

Costs related to issuance of securitized debt which include underwriting, rating agency, legal, accounting and other fees are reflected as deferred charges. Such costs are presented as a deduction from the corresponding debt liability on the Company’s accompanying consolidated balance sheets in the amount of $1.4 million and $1.0 million as of December 31, 2016 and December 31, 2015 , respectively. These deferred charges are amortized as an adjustment to interest expense using the effective interest method, or straight line-method, if the result is not materially different.

Derivative Financial Instruments – In accordance with ASC 815, *Derivatives and Hedging* , the Company records derivative financial instruments on its consolidated balance sheet as assets or liabilities at fair value. Changes in fair value are accounted for depending on the use of the derivative instruments and whether they qualify for hedge accounting treatment.

In connection with our investment in Agency IOs, the Company uses several types of derivative instruments such as interest rate swaps, futures, put and call options on futures and TBAs to hedge the interest rate risk, as well as spread risk associated with these investments. The Company also purchases, or sells short, To-Be-Announced securities ("TBAs") through its Agency IO portfolio. TBAs are forward-settling purchases and sales of Agency RMBS where the underlying pools of mortgage loans are "To-Be-Announced." Pursuant to these TBA transactions, we agree to purchase or sell, for future settlement, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered is not identified until shortly before the TBA settlement date. For TBA contracts that we have entered into, we have not asserted that physical settlement is probable, therefore we have not designated these forward commitments as hedging instruments. The use of TBAs, futures, options on futures and interest rate swaps in our Agency IO portfolio hedge the overall risk profile of investment securities in the portfolio. The derivative instruments in our Agency IO portfolio are not designated as hedging instruments, therefore realized and unrealized gains and losses associated with these derivative instruments are recognized through earnings and reported as part of the other income category in the Company's consolidated statements of operations.

The Company also uses interest rate swaps to hedge the variable cash flows associated with borrowings made under our financing arrangements and Residential CDOs. We typically pay a fixed rate and receive a floating rate based on one month LIBOR, on the notional amount of the interest rate swaps. The floating rate we receive under our swap agreements has the effect of offsetting the repricing characteristics and cash flows of our financing arrangements. These interest rate swaps, qualify as a cash flow hedge, where the effective portion of the gain or loss on the derivative instrument is reported as a component of OCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instruments in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in current earnings during the period of change.

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

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

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

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

Employee Benefits Plans – The Company sponsors a defined contribution plan (the "Plan") for all eligible domestic employees. The Plan qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). The Company made $0.1 million in contributions to the Plan for the year ended December 31, 2016 . The Company made no contributions to the Plan for the year ended December 31, 2015 .

Stock Based Compensation – The Company has awarded restricted stock to eligible employees and officers as part of their compensation. Compensation expense for equity based awards and stock issued for services are recognized over the vesting period of such awards and services based upon the fair value of the award at the grant date

In May 2015, the Company granted certain Performance Share Awards ("PSAs") which cliff vest after a three -year period, subject to the achievement of certain performance criteria based on a formula tied to the Company's achievement of three -year total stockholder return ("TSR") and the Company's TSR relative to the TSR of certain peer companies. The feature in this award constitutes a "market condition" which impacts the amount of compensation expense recognized for these awards. The grant date fair values of PSAs were determined through Monte-Carlo simulation analysis.

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

Certain activities of the Company are conducted through TRSs and therefore are subject to federal and various state and local income taxes. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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

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

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

Summary of Recent Accounting Pronouncements

Revenue Recognition (Topic 606)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). This guidance creates a new, principle-based revenue recognition framework that will affect nearly every revenue-generating entity. ASU 2014-09 also creates a new topic in the Codification, Topic 606 ("ASC 606"). In addition to superseding and replacing nearly all existing U.S. GAAP revenue recognition guidance, including industry-specific guidance, ASC 606 does the following: (1) establishes a new control-based revenue recognition model; (2) changes the basis for deciding when revenue is recognized over time or at a point in time; (3) provides new and more detailed guidance on specific aspects of revenue recognition; and (4) expands and improves disclosures about revenue. In August 2015, the FASB issued ASU 2015-14 that defers the effective date of ASU 2014-09 for public business entities for annual reporting periods beginning after December 15, 2017, including interim periods therein. Early application is permitted for public business entities only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period.

ASU 606 applies to all contracts with customers with exceptions for financial instruments and other contractual rights or obligations that are within the scope of other ASC Topics. Exclusions from the scope of ASC 606 include investment securities available for sale (subject to ASC 320, *Investments - Debt and Equity Securities* or ASC 325, *Investments - Other*); residential mortgage loans, distressed residential mortgage loans, multi-family loans, and mezzanine loan and preferred equity investments (subject to either ASC 310, *Receivables* or ASC 825, *Financial Instruments*); derivative assets and derivative liabilities (subject to ASC 815, *Derivatives and Hedging*); and investment in unconsolidated entities (subject to either ASC 323, *Investments - Equity Method and Joint Ventures* or ASC 825, *Financial Instruments*). The Company evaluated the applicability of this ASU with respect to its investment portfolio, considering the scope exceptions listed above, and has determined that the adoption of this ASU will not have a material impact on the Company's financial condition or results of operations as the majority of the Company's revenue is generated by financial instruments and other contractual rights and obligations that are not within the scope of ASC 606.

Financial Instruments —Credit Losses (Topic 326)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments —Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). The amendments require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption as of the fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 is permitted. The Company is currently assessing the impact of this guidance as the ASU will have an effect on the Company's estimation of credit losses on distressed residential mortgage loans, residential mortgage loans held in securitization trusts, and mezzanine loans and preferred equity investments that are accounted for as loans.

Statement of Cash Flows (Topic 230)

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* ("ASU 2016-18") . These amendments require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments do not provide a definition of restricted cash or restricted cash equivalents. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted. The Company will adopt the ASU effective January 1, 2017 and will include restricted cash of $56.0 million and $20.8 million as of December 31, 2016 and 2015 , respectively, with cash and cash equivalents as shown on the statement of cash flows.

Intangibles - Goodwill and Other (Topic 350)

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"). The amendments simplify annual or interim goodwill impairment tests by eliminating a second stop to compute the implied fair value of goodwill if the fair value of a reporting unit is less than its carrying amount. Instead, should the fair value of a reporting unit be less than its carrying amount, an entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value (in an amount not to exceed the total amount of goodwill allocated to that reporting unit). The amendments are effective for all entities for their annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company will adopt the ASU effective January 1, 2017 and apply the guidance to the performance of our annual impairment test of $25.2 million in goodwill for the year ended December 31, 2017.

3. Investment Securities Available For Sale

Investment securities available for sale consisted of the following as of December 31, 2016 and December 31, 2015 (dollar amounts in thousands):

	December 31, 2016				December 31, 2015			
		Unrealized				Unrealized		
	Amortized Costs	Gains	Losses	Fair Value	Amortized Costs	Gains	Losses	Fair Value
Agency RMBS [1] :								
Agency ARMs								
Freddie Mac	$ 39,138	$ 24	$ (528)	$ 38,634	$ 62,383	$ 41	$ (770)	$ 61,654
Fannie Mae	69,031	71	(698)	68,404	92,605	121	(1,334)	91,392
Ginnie Mae	6,011	—	(204)	5,807	20,172	55	(260)	19,967
Total Agency ARMs	114,180	95	(1,430)	112,845	175,160	217	(2,364)	173,013
Agency Fixed Rate								
Freddie Mac	26,338	—	(644)	25,694	31,076	—	(719)	30,357
Fannie Mae	312,515	—	(10,035)	302,480	380,684	—	(12,149)	368,535
Ginnie Mae	457	—	(4)	453	25,923	9	(111)	25,821
Total Agency Fixed Rate	339,310	—	(10,683)	328,627	437,683	9	(12,979)	424,713
Agency IOs [1]								
Freddie Mac	19,768	559	(3,363)	16,964	28,970	680	(4,471)	25,179
Fannie Mae	27,597	478	(4,777)	23,298	39,603	433	(6,341)	33,695
Ginnie Mae	49,788	1,223	(6,382)	44,629	63,050	511	(7,045)	56,516
Total Agency IOs	97,153	2,260	(14,522)	84,891	131,623	1,624	(17,857)	115,390
Total Agency RMBS	550,643	2,355	(26,635)	526,363	744,466	1,850	(33,200)	713,116
Non-Agency RMBS	162,220	1,218	(154)	163,284	1,727	51	(211)	1,567
U.S. Treasury securities [1]	2,920	—	(33)	2,887	10,113	—	(76)	10,037
CMBS [2]	113,955	12,876	(389)	126,442	28,692	12,042	—	40,734
Total investment securities available for sale	$ 829,738	$ 16,449	$ (27,211)	$ 818,976	$ 784,998	$ 13,943	$ (33,487)	$ 765,454

(1) Included in investment securities available for sale are Agency IOs, Agency RMBS and U.S. Treasury securities managed by Midway that are measured at fair value through earnings.
(2) Included in CMBS is $43.9 million and $40.7 million of investment securities for sale held in securitization trusts as of December 31, 2016 and December 31, 2015 , respectively.

Realized Gain or Loss Activity

During the year ended December 31, 2016 , the Company received total proceeds of approximately $208.2 million realizing approximately $2.3 million of net losses, from the sale of investment securities available for sale. During the year ended December 31, 2015 , the Company received total proceeds of approximately $99.2 million , realizing approximately $2.1 million of net gains, from the sale of investment securities available for sale. During the year ended December 31, 2014 , the Company received total proceeds of approximately $93.6 million , realizing approximately $39.1 million of net gains, from the sale of investment securities available for sale.

Weighted Average Life

Actual maturities of our available for sale securities are generally shorter than stated contractual maturities (with maturities up to 30 years), as they are affected by periodic payments and prepayments of principal on the underlying mortgages. As of December 31, 2016 and 2015 , the weighted average life of the Company's available for sale securities portfolio was approximately 4.3 years and 5.0 years , respectively.

The following table sets forth the weighted average lives our investment securities available for sale as of December 31, 2016 and December 31, 2015 (dollar amounts in thousands):

Weighted Average Life	**December 31, 2016**	**December 31, 2015**
0 to 5 years	$ 606,079	$ 518,594
Over 5 to 10 years	177,765	219,747
10+ years	35,132	27,113
Total	$ 818,976	$ 765,454

Portfolio Interest Reset Periods

The following tables set forth the stated interest reset periods of our investment securities available for sale and investment securities available for sale held in securitization trusts at December 31, 2016 and December 31, 2015 at carrying value (dollar amounts in thousands):

	December 31, 2016				**December 31, 2015**			
	Less than 6 months	**6 to 24 months**	**More than 24 months**	**Total**	**Less than 6 months**	**6 to 24 months**	**More than 24 months**	**Total**
Agency RMBS	$ 53,043	$ 27,272	$ 446,048	$ 526,363	$ 92,693	$ 44,700	$ 575,723	$ 713,116
Non-Agency RMBS	50,080	—	113,204	163,284	188	1,379	—	1,567
U.S. Treasury securities	—	—	2,887	2,887	10,037	—	—	10,037
CMBS	82,545	—	43,897	126,442	—	—	40,734	40,734
Total investment securities available for sale	$ 185,668	$ 27,272	$ 606,036	$ 818,976	$ 102,918	$ 46,079	$ 616,457	$ 765,454

Unrealized Losses in OCI

The following tables present the Company's investment securities available for sale in an unrealized loss position reported through OCI, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2016 and December 31, 2015 (dollar amounts in thousands):

December 31, 2016	**Less than 12 Months**		**Greater than 12 months**		**Total**	
	Carrying Value	**Gross Unrealized Losses**	**Carrying Value**	**Gross Unrealized Losses**	**Carrying Value**	**Gross Unrealized Losses**
Agency RMBS	$ 96,357	$ (1,290)	$ 328,474	$ (10,819)	$ 424,831	$ (12,109)
Non-Agency RMBS	—	—	596	(154)	596	(154)
CMBS	16,523	(389)	—	—	16,523	(389)
Total investment securities available for sale	$ 112,880	$ (1,679)	$ 329,070	$ (10,973)	$ 441,950	$ (12,652)

December 31, 2015	Less than 12 Months		Greater than 12 months		Total	
	Carrying Value	Gross Unrealized Losses	Carrying Value	Gross Unrealized Losses	Carrying Value	Gross Unrealized Losses
Agency RMBS	$ 71,587	$ (688)	$ 476,157	$ (14,497)	$ 547,744	$ (15,185)
Non-Agency RMBS	771	—	796	(211)	1,567	(211)
CMBS	—	—	—	—	—	—
Total investment securities available for sale	$ 72,358	$ (688)	$ 476,953	$ (14,708)	$ 549,311	$ (15,396)

Other than Temporary Impairment

For the years ended December 31, 2016 , 2015 and 2014 , the Company did not recognize other-than-temporary impairment through earnings.

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

Residential mortgage loans held in securitization trusts (net) consist of the following at December 31, 2016 and December 31, 2015 , respectively (dollar amounts in thousands):

	December 31, 2016	December 31, 2015
Unpaid principal balance	$ 98,303	$ 122,545
Deferred origination costs – net	623	775
Reserve for loan losses	(3,782)	(3,399)
Total	$ 95,144	$ 119,921

Allowance for Loan Losses - The following table presents the activity in the Company's allowance for loan losses on residential mortgage loans held in securitization trusts for the years ended December 31, 2016 , 2015 and 2014 , respectively (dollar amounts in thousands):

	Years Ended December 31,		
	2016	2015	2014
Balance at beginning of period	$ 3,399	$ 3,631	$ 2,989
Provisions for loan losses	612	1,161	998
Transfer to real estate owned	(117)	—	(356)
Charge-offs	(112)	(1,393)	—
Balance at the end of period	$ 3,782	$ 3,399	$ 3,631

On an ongoing basis, the Company evaluates the adequacy of its allowance for loan losses. The Company’s allowance for loan losses at December 31, 2016 was $3.8 million , representing 385 basis points of the outstanding principal balance of residential loans held in securitization trusts, as compared to 277 basis points as of December 31, 2015 . As part of the Company’s allowance for loan loss adequacy analysis, management will assess an overall level of allowances while also assessing credit losses inherent in each non-performing residential mortgage loan held in securitization trusts. These estimates involve the consideration of various credit related factors, including but not limited to, current housing market conditions, current loan to value ratios, delinquency status, the borrower’s current economic and credit status and other relevant factors.

Real Estate Owned – The following table presents the activity in the Company's real estate owned held in residential securitization trusts for the years ended December 31, 2016 , 2015 and 2014 , respectively (dollar amounts in thousands):

	December 31, 2016	December 31, 2015	December 31, 2014
Balance at beginning of period	$ 411	$ 965	$ 1,108
Write downs	(9)	—	(103)
Transfer from mortgage loans held in securitization trusts	352	—	537
Disposal	(604)	(554)	(577)
Balance at the end of period	$ 150	$ 411	$ 965

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

All of the Company's mortgage loans and real estate owned held in residential securitization trusts are pledged as collateral for the Residential CDOs issued by the Company. The Company's net investment in the residential securitization trusts, which is the maximum amount of the Company's investment that is at risk to loss and represents the difference between (i) the carrying amount of the mortgage loans, real estate owned and receivables held in residential securitization trusts and (ii) the amount of Residential CDOs outstanding, was $4.4 million and $4.4 million , as of December 31, 2016 and December 31, 2015 , respectively.

Delinquency Status of Our Residential Mortgage Loans Held in Securitization Trusts

As of December 31, 2016 , we had 31 delinquent loans with an aggregate principal amount outstanding of approximately $18.7 million categorized as Residential Mortgage Loans Held in Securitization Trusts (net), of which $11.2 million , or 60% , are under some form of temporary modified payment plan. The table below shows delinquencies in our portfolio of residential mortgage loans held in securitization trusts, including real estate owned (REO) through foreclosure, as of December 31, 2016 (dollar amounts in thousands):

December 31, 2016

Days Late	Number of Delinquent Loans	Total Unpaid Principal	% of Loan Portfolio
30 - 60	1	$ 247	0.25%
61 - 90	—	$ —	—
90+	30	$ 18,416	18.68%
Real estate owned through foreclosure	1	$ 268	0.27%

As of December 31, 2015 , we had 31 delinquent loans with an aggregate principal amount outstanding of approximately $18.0 million categorized as Residential Mortgage Loans Held in Securitization Trusts (net), of which $11.9 million , or 67% , were under some form of modified payment plan. The table below shows delinquencies in our portfolio of residential mortgage loans held in securitization trusts, including REO through foreclosure, as of December 31, 2015 (dollar amounts in thousands):

December 31, 2015

Days Late	Number of Delinquent Loans	Total Unpaid Principal	% of Loan Portfolio
30 - 60	3	$ 825	0.67%
61 - 90	2	$ 1,763	1.43%
90+	26	$ 15,365	12.48%
Real estate owned through foreclosure	3	$ 574	0.47%

The geographic concentrations of credit risk exceeding 5% of the total loan balances in our residential mortgage loans held in securitization trusts and REO held in residential securitization trusts at December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
New York	33.8%	35.6%
Massachusetts	19.9%	20.7%
New Jersey	10.8%	11.1%
Florida	8.9%	7.7%
Connecticut	7.4%	6.5%

5. Distressed Residential Mortgage Loans

As of December 31, 2016 and December 31, 2015 , the carrying value of the Company's distressed residential mortgage loans, including distressed residential mortgage loans held in securitization trusts, amounts to approximately $503.1 million and $559.0 million , respectively.

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

The following table presents information regarding the estimates of the contractually required payments, the cash flows expected to be collected, and the estimated fair value of the distressed residential mortgage loans acquired during the years ended December 31, 2016 and December 31, 2015 , respectively (dollar amounts in thousands):

	December 31, 2016	December 31, 2015
Contractually required principal and interest	$ 188,444	$ 327,611
Non-accretable yield	(14,512)	(17,276)
Expected cash flows to be collected	173,932	310,335
Accretable yield	(114,153)	(158,149)
Fair value at the date of acquisition	$ 59,779	$ 152,186

The following table details activity in accretable yield for the distressed residential mortgage loans, including distressed residential mortgage loans held in securitization trusts, for the years ended December 31, 2016 and December 31, 2015 , respectively (dollar amounts in thousands):

	December 31, 2016	December 31, 2015
Balance at beginning of period	$ 579,009	$ 640,416
Additions	128,386	173,497
Disposals	(144,242)	(195,615)
Accretion	(32,641)	(39,289)
Balance at end of period (1)	$ 530,512	$ 579,009

(1) Accretable yield is the excess of the distressed residential mortgage loans' cash flows expected to be collected over the purchase price. The cash flows expected to be collected represents the Company's estimate of the amount and timing of undiscounted principal and interest cash flows. Additions include accretable yield estimates for purchases made during the period and reclassification to accretable yield from nonaccretable yield. Deletions include distressed residential mortgage loan dispositions, which include refinancing, sale and foreclosure of the underlying collateral and resulting removal of the distressed residential mortgage loans from the accretable yield, and reclassifications from accretable to nonaccretable yield. The reclassifications between accretable and nonaccretable yield and the accretion of interest income is based on various estimates regarding loan performance and the value of the underlying real estate securing the loans. As the Company continues to update its estimates regarding the loans and the underlying collateral, the accretable yield may change. Therefore, the amount of accretable income recorded in the twelve-month periods ended December 31, 2016 and December 31, 2015 is not necessarily indicative of future results.

The geographic concentrations of credit risk exceeding 5% of the unpaid principal balance in our distressed residential mortgage loans, including distressed residential mortgage loans held in securitization trusts, as of December 31, 2016 and December 31, 2015 , respectively, are as follows:

	December 31, 2016	December 31, 2015
Florida	12.2%	12.6%
California	8.8%	7.7%
North Carolina	7.7%	8.1%
Georgia	6.0%	6.1%
New York	5.4%	5.2%
Maryland	5.2%	5.4%

The Company's distressed residential mortgage loans held in securitization trusts with a carrying value of approximately \$195.3 million and \$114.2 million at December 31, 2016 and December 31, 2015 , respectively, are pledged as collateral for certain of the Securitized Debt issued by the Company *(see Note 9)* . In addition, distressed residential mortgage loans with a carrying value of approximately \$279.9 million and \$307.0 million at December 31, 2016 and December 31, 2015 , respectively, are pledged as collateral for a Master Repurchase Agreement, with Deutsche Bank AG, Cayman Islands Branch *(see Note 12)* .

6. Consolidated K-Series

The Company has elected the fair value option on the assets and liabilities held within the Consolidated K-Series, which requires that changes in valuations in the assets and liabilities of the Consolidated K-Series be reflected in the Company's statements of operations. Our investment in the Consolidated K-Series is limited to the first loss tranche PO securities and/or certain IOs issued by certain Freddie Mac K-Series securitizations with an aggregate net carrying value of $314.9 million and $286.4 million at December 31, 2016 and 2015 , respectively (*see Note 9*).

The condensed consolidated balance sheets of the Consolidated K-Series at December 31, 2016 and December 31, 2015 , respectively, are as follows (dollar amounts in thousands):

Balance Sheets	**December 31, 2016**	**December 31, 2015**
Assets		
Multi-family loans held in securitization trusts	$ 6,939,844	$ 7,105,336
Receivables	24,098	24,579
Total Assets	$ 6,963,942	$ 7,129,915
Liabilities and Equity		
Multi-family CDOs	$ 6,624,896	$ 6,818,901
Accrued expenses	24,003	24,483
Total Liabilities	6,648,899	6,843,384
Equity	315,043	286,531
Total Liabilities and Equity	$ 6,963,942	$ 7,129,915

The multi-family loans held in securitization trusts had unpaid aggregate principal balances of approximately $6.7 billion and $6.8 billion at December 31, 2016 and December 31, 2015 , respectively. The multi-family CDOs had aggregate unpaid principal balances of approximately $6.7 billion and $6.8 billion at December 31, 2016 and December 31, 2015 , respectively. As of December 31, 2016 and 2015 , the current weighted average interest rate on these Multi-Family CDOs was 3.97% and 3.98% , respectively.

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

The Company does not have any claims to the assets or obligations for the liabilities of the Consolidated K-Series other than the securities represented by our first loss tranche securities. We have elected the fair value option for the Consolidated K-Series. The net fair value of our investment in the Consolidated K-Series, which represents the difference between the carrying values of multi-family loans held in securitization trusts less the carrying value of multi-family CDOs, approximates the fair value of our underlying securities. The fair value of our underlying securities is determined using the same valuation methodology as our CMBS investments available for sale *(see Note 16)* .

The condensed consolidated statements of operations of the Consolidated K-Series for the years ended December 31, 2016 , 2015 , and 2014 , respectively, are as follows (dollar amounts in thousands):

	Years Ended December 31,		
Statements of Operations	**2016**	**2015**	**2014**
Interest income	$ 249,191	$ 257,417	$ 301,877
Interest expense	222,553	232,971	275,916
Net interest income	26,638	24,446	25,961
Unrealized gain on multi-family loans and debt held in securitization trusts, net	3,032	12,368	56,931
Net Income	$ 29,670	$ 36,814	$ 82,892

The geographic concentrations of credit risk exceeding 5% of the total loan balances related to our CMBS investments included in investment securities available for sale and multi-family loans held in securitization trusts as of December 31, 2016 and December 31, 2015 , respectively, are as follows:

	December 31, 2016	**December 31, 2015**
California	13.8%	13.8%
Texas	12.4%	12.3%
New York	8.1%	8.0%
Maryland	5.3%	5.2%

7. Investment in Unconsolidated Entities

The Company's investments in unconsolidated entities accounted for under the equity method consist of the following as of December 31, 2016 and December 31, 2015 (dollar amounts in thousands):

	December 31, 2016		December 31, 2015	
Investment Name	Ownership Interest	Carrying Amount	Ownership Interest	Carrying Amount
Autumnwood Investments LLC	—	$ 2,092	—	$ 2,127
200 RHC Hoover, LLC	63%	8,886	63%	8,649
BBA-EP320 II, L.L.C., BBA-Ten10 II, L.L.C., and Lexington on the Green Apartments, L.L.C. (collectively)	45%	7,949	—	—
RiverBanc LLC (1) ("RiverBanc")	—	—	20%	597
Kiawah River View Investors LLC (2) ("KRVI")	—	—	31%	8,718
Total		$ 18,927		$ 20,091

(1) As of May 16, 2016, RiverBanc became a wholly-owned subsidiary of the Company as a result of the Company's acquisition of the remaining ownership interests in RiverBanc held by other unaffiliated entities (*see Note 21*).
(2) As of May 16, 2016, the Company consolidated KRVI in its consolidated financial statements (*see Note 9*).

The Company's investments in unconsolidated entities accounted for at fair value consist of the following as of December 31, 2016 and December 31, 2015 (dollar amounts in thousands):

	December 31, 2016		December 31, 2015	
Investment Name	Ownership Interest	Carrying Amount	Ownership Interest	Carrying Amount
RB Development Holding Company, LLC (1) ("RBDHC")	—	$ —	63%	$ 1,927
RB Multifamily Investors LLC (1) (2) ("RBMI")	—	—	70%	56,891
Morrocroft Neighborhood Stabilization Fund II, LP	11%	9,732	13%	8,753
Evergreens JV Holdings, LLC (3)	85%	3,810	—	—
Bent Tree JV Holdings, LLC (3)	78%	9,890	—	—
Summerchase LR Partners LLC (3)	80%	4,410	—	—
Lake Mary Realty Partners, LLC (3)	80%	7,690	—	—
The Preserve at Port Royal Venture, LLC (3)	77%	12,280	—	—
WR Savannah Holdings, LLC (3)	90%	12,520	—	—
Total		$ 60,332		$ 67,571

(1) As of May 16, 2016, RBDHC and RBMI became wholly-owned subsidiaries of the Company as a result of the Company's acquisition of the remaining ownership interests in those entities held by other unaffiliated entities (*see Note 21*).
(2) As of December 31, 2015, includes the Company's preferred and common equity interests in this entity.
(3) Investments held by RBMI that are consolidated into the Company's financial statements beginning May 16, 2016.

The following table presents income (loss) from investments in unconsolidated entities for the years ended December 31, 2016 , 2015 , and 2014 (dollar amounts in thousands):

	For the Years Ended December 31,		
Investment Name	**2016**	**2015**	**2014**
Autumnwood Investments LLC	$ 260	$ 281	$ 276
200 RHC Hoover, LLC	1,370	394	—
BBA-EP320 II, L.L.C., BBA-Ten10 II, L.L.C., and Lexington on the Green Apartments, L.L.C. (collectively)	433	—	—
RiverBanc LLC	125	815	2,644
Kiawah River View Investors LLC	1,250	866	611
RB Development Holding Company, LLC	107	(9)	373
RB Multifamily Investors LLC	2,262	5,263	657
Morrocroft Neighborhood Stabilization Fund II, LP	910	254	—
Evergreens JV Holdings, LLC	199	—	—
Bent Tree JV Holdings, LLC	411	—	—
Summerchase LR Partners LLC	380	—	—
Lake Mary Realty Partners, LLC	554	—	—
The Preserve at Port Royal Venture, LLC	834	—	—
WR Savannah Holdings, LLC	692	—	—

Summary combined financial information for the Company's investments in unconsolidated entities as of December 31, 2016 and December 31, 2015 and for the years ended December 31, 2016 , 2015 , and 2014 is shown below (dollars amounts in thousands).

	December 31, 2016	December 31, 2015
Balance Sheets:		
Real estate, net	$ 346,078	$ 111,216
Investments in unconsolidated entities	—	31,636
Mezzanine loan and preferred equity investments	—	23,629
Other assets	16,042	35,293
Total assets	$ 362,120	$ 201,774
Notes payable, net	$ 236,388	$ 41,918
Other liabilities	6,686	8,624
Total liabilities	243,074	50,542
Members' equity	119,046	151,232
Total liabilities and members' equity	$ 362,120	$ 201,774

	For the Years Ended December 31,		
	2016	2015	2014
Operating Statements: [1]			
Rental revenues	$ 26,397	$ 2,121	$ —
Other income	3,131	3,732	12,034
Operating expenses	19,227	9,267	3,097
Income (loss) before debt service, acquisition costs, and depreciation and amortization	10,301	(3,414)	8,937
Interest expense	(6,149)	(356)	—
Acquisition costs	(1,448)	(1,660)	—
Depreciation and amortization	(15,879)	(1,711)	(8)
Net (loss) income	$ (13,175)	$ (7,141)	$ 8,929

(1) The Company records income (loss) from investments in unconsolidated entities under either the equity method of accounting or the fair value option. Accordingly, the combined net (loss) income shown above is not indicative of the income recognized by the Company from investments in unconsolidated entities.

8. Mezzanine Loan and Preferred Equity Investments

Mezzanine loan and preferred equity investments consist of the following as of December 31, 2016 and December 31, 2015 (dollar amounts in thousands):

	December 31, 2016	December 31, 2015
Investment amount	$ 101,154	$ 44,529
Deferred loan fees, net	(1,004)	(378)
Total	$ 100,150	$ 44,151

There were no delinquent mezzanine loan or preferred equity investments as of December 31, 2016 and December 31, 2015 .

The geographic concentrations of credit risk exceeding 5% of the total mezzanine loan and preferred equity investment amounts as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Texas	43.3%	31.4%
Virginia	14.9%	9.4%
South Carolina	9.4%	10.0%
Kentucky	7.2%	16.0%
Massachusetts	6.9%	15.7%
Georgia	6.3%	—
Florida	5.1%	—

9. Use of Special Purpose Entities (SPE) and Variable Interest Entities (VIE)

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

The Company has entered into resecuritization and financing transactions which required the Company to analyze and determine whether the SPEs that were created to facilitate the transactions are VIEs in accordance with ASC 810, *Consolidation* , and if so, whether the Company is the primary beneficiary requiring consolidation. The Company evaluated the following resecuritization and financing transactions: 1) its Residential CDOs; 2) its multi-family CMBS re-securitization transaction; 3) its collateralized recourse financing transactions and 4) its distressed residential mortgage loan securitization transactions (each a "Financing VIE" and collectively, the "Financing VIEs") and concluded that the entities created to facilitate each of the transactions are VIEs and that the Company is the primary beneficiary of these VIEs. Accordingly, the Company consolidated the Financing VIEs as of December 31, 2016 .

The Company invests in multi-family CMBS consisting of PO securities that represent the first loss tranche of the securitizations from which they were issued, and certain IOs issued from Freddie Mac-sponsored multi-family K-Series securitization trusts. The Company has evaluated these CMBS investments in Freddie Mac-sponsored K-Series securitization trusts to determine whether they are VIEs and if so, whether the Company is the primary beneficiary requiring consolidation. The Company has determined that five Freddie Mac-sponsored multi-family K-Series securitization trusts are VIEs as of December 31, 2016 and December 31, 2015 . The Company also determined that it is the primary beneficiary of each VIE within the Consolidated K-Series and accordingly, has consolidated its assets, liabilities, income and expenses in the accompanying consolidated financial statements (*see Notes 2 and 6*). Of the Company's multi-family CMBS investments included in the Consolidated K-Series, four and one of these investments are not deposited as collateral to any Financing VIE as of December 31, 2016 and December 31, 2015 , respectively.

In analyzing whether the Company is the primary beneficiary of the Consolidated K-Series and the Financing VIEs, the Company considered its involvement in each of the VIEs, including the design and purpose of each VIE, and whether its involvement reflected a controlling financial interest that resulted in the Company being deemed the primary beneficiary of the VIEs. In determining whether the Company would be considered the primary beneficiary, the following factors were assessed:

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

On May 16, 2016, the Company acquired the remaining outstanding membership interests in RBDHC, resulting in 100% ownership. RBDHC owns 50% of KRVI, a limited liability company that owns developed land and residential homes under development in Kiawah Island, SC, for which RiverBanc is the manager. The Company has evaluated KRVI to determine if it is a VIE and if so, whether the Company is the primary beneficiary requiring consolidation. The Company has determined that KRVI is a VIE for which RBDHC is the primary beneficiary as the Company, collectively through its wholly-owned subsidiaries RiverBanc and RBDHC, has both the power to direct the activities that most significantly impact the economic performance of KRVI and has a right to receive benefits or absorb losses of KRVI that could be potentially significant to KRVI. Accordingly, the Company has consolidated KRVI in its consolidated financial statements with a non-controlling interest for the third-party ownership of KRVI membership interests.

The Consolidated K-Series, the Financing VIEs, and KRVI are collectively referred to in this footnote as "Consolidated VIEs".

The following tables present a summary of the assets and liabilities of these Consolidated VIEs as of December 31, 2016 and December 31, 2015 , respectively. Intercompany balances have been eliminated for purposes of this presentation.

Assets and Liabilities of Consolidated VIEs as of December 31, 2016 (dollar amounts in thousands):

	Financing VIEs			Other VIEs		
	Multi-family CMBS Re-securitization (1)	Distressed Residential Mortgage Loan Securitization (2)	Residential Mortgage Loan Securitization	Multi-family CMBS (3)	Other	Total
Cash and cash equivalents	$ —	$ —	$ —	$ —	$ 186	$ 186
Investment securities available for sale, at fair value held in securitization trusts	43,897	—	—	—	—	43,897
Residential mortgage loans held in securitization trusts (net)	—	—	95,144	—	—	95,144
Distressed residential mortgage loans held in securitization trusts, (net)	—	195,347	—	—	—	195,347
Multi-family loans held in securitization trusts, at fair value	1,196,835	—	—	5,743,009	—	6,939,844
Receivables and other assets	4,420	13,610	912	19,753	17,759	56,454
Total assets	$ 1,245,152	$ 208,957	$ 96,056	$ 5,762,762	$ 17,945	$ 7,330,872
Residential collateralized debt obligations	$ —	$ —	$ 91,663	$ —	$ —	$ 91,663
Multi-family collateralized debt obligations, at fair value	1,137,002	—	—	5,487,894	—	6,624,896
Securitized debt	28,332	130,535	—	—	—	158,867
Accrued expenses and other liabilities	4,400	1,336	20	19,753	1,601	27,110
Total liabilities	$ 1,169,734	$ 131,871	$ 91,683	$ 5,507,647	$ 1,601	$ 6,902,536

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

(2) The Company engaged in these transactions for the purpose of financing distressed residential mortgage loans acquired by the Company. The distressed residential mortgage loans serving as collateral for the financings are comprised of performing, re-performing and, to a lesser extent, non-performing, fixed and adjustable-rate, fully-amortizing, interest only and balloon, seasoned mortgage loans secured by first liens on one to four family properties. Balances as of December 31, 2016 are related to a securitization transaction that closed in April 2016 that involved the issuance of $177.5 million of Class A Notes representing the beneficial ownership in a pool of performing and re-performing seasoned mortgage loans. The Company holds 5% of the Class A Notes issued as part of this securitization transaction, which have been eliminated in consolidation.

(3) Four of the Company's Freddie Mac-sponsored multi-family K-Series securitizations included in the Consolidated K-Series are not held in a Financing VIE as of December 31, 2016 . In October 2016, the Company repaid $55.9 million of outstanding notes from its November 2013 collateralized recourse financing, which was comprised of securities issued from three separate Freddie Mac-sponsored multi-family K-Series securitizations. In connection with the repayment of the notes, the Company terminated and de-consolidated the Financing VIE that facilitated this financing transaction and securities serving as collateral on the notes were transferred back to the Company.

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

	Financing VIEs				Other VIEs	
	Multi-family CMBS re-securitization (1)	Collateralized Recourse Financing (2)	Distressed Residential Mortgage Loan Securitization (3)	Residential Mortgage Loan Securitization	Multi-family CMBS (2)	Total
Investment securities available for sale, at fair value held in securitization trusts	$ 40,734	$ —	$ —	$ —	$ —	$ 40,734
Residential mortgage loans held in securitization trusts (net)	—	—	—	119,921	—	119,921
Distressed residential mortgage loans held in securitization trusts (net)	—	—	114,214	—	—	114,214
Multi-family loans held in securitization trusts, at fair value	1,224,036	4,633,061	—	—	1,248,239	7,105,336
Receivables and other assets	4,458	15,057	5,717	1,200	5,456	31,888
Total assets	$ 1,269,228	$ 4,648,118	$ 119,931	$ 121,121	$ 1,253,695	$ 7,412,093
Residential collateralized debt obligations	$ —	$ —	$ —	$ 116,710	$ —	$ 116,710
Multi-family collateralized debt obligations, at fair value	1,168,470	4,464,340	—	—	1,186,091	6,818,901
Securitized debt	27,613	55,629	33,299	—	—	116,541
Accrued expenses and other liabilities	4,436	14,750	368	13	5,456	25,023
Total liabilities	$ 1,200,519	$ 4,534,719	$ 33,667	$ 116,723	$ 1,191,547	$ 7,077,175

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

(2) The multi-family CMBS serving as collateral under the November 2013 collateralized recourse financing are comprised of securities issued from three separate Freddie Mac-sponsored multifamily K-Series securitizations. The Financing VIE consolidated these K-Series securitizations, including their assets, liabilities and expenses, in its financial statements as based on a number of factors, the Company determined that it was the primary beneficiary and has a controlling financial interest in such K-Series securitizations (*see Note 6*). One of the Company's Freddie Mac-sponsored multi-family K-Series securitizations included in the Consolidated K-Series is not held in a Financing VIE as of December 31, 2015 .

(3) The Company engaged in these transactions for the purpose of financing distressed residential mortgage loans acquired by the Company. The distressed residential mortgage loans serving as collateral for the financings are comprised of performing, re-performing and, to a lesser extent, non-performing, fixed and adjustable-rate, fully-amortizing, interest only and balloon, seasoned mortgage loans secured by the first liens on one to four family properties. Balances are related to distressed residential mortgage loan securitizations transactions completed in 2013. The outstanding notes from these transactions were repaid in February 2016, which resulted in the termination and de-consolidation of the Financing VIE that facilitated these financing transactions.

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

	Multi-family CMBS Re-securitization [1]	Collateralized Recourse Financings [2]	Distressed Residential Mortgage Loan Securitizations
Principal Amount at December 31, 2016	$ 33,553	$ —	$ 132,319
Principal Amount at December 31, 2015	$ 33,781	$ 55,853	$ 33,656
Carrying Value at December 31, 2016 [3]	$ 28,332	$ —	$ 130,535
Carrying Value at December 31, 2015 [3]	$ 27,613	$ 55,629	$ 33,299
Pass-through rate of Notes issued	5.35%	One-month LIBOR plus 5.25%	4.00% - 4.85%

(1) The Company engaged in the re-securitization transaction primarily for the purpose of obtaining non-recourse financing on a portion of its multi-family CMBS portfolio. As a result of engaging in this transaction, the Company remains economically exposed to the first loss position on the underlying multi-family CMBS transferred to the Consolidated VIE. The holders of the Note issued in this re-securitization have no recourse to the general credit of the Company, but the Company does have the obligation, under certain circumstances, to repurchase assets upon the breach of certain representations and warranties. The Company will receive all remaining cash flow, if any, through its retained ownership.
(2) The Company entered into a CMBS Master Repurchase Agreement with a three -year term for the purpose of financing a portion of its multi-family CMBS portfolio. In connection with the transaction, the Company agreed to guarantee the due and punctual payment of its wholly-owned subsidiary's obligations under the CMBS Master Repurchase Agreement. In October 2016, the Company repaid the $55.9 million of outstanding notes.
(3) Classified as securitized debt in the liability section of the Company's accompanying consolidated balance sheets.

The following table presents contractual maturity information about the Financing VIEs' securitized debt as of December 31, 2016 and December 31, 2015 , respectively (dollar amounts in thousands):

Scheduled Maturity (principal amount)	December 31, 2016	December 31, 2015
Within 24 months	$ —	$ 89,509
Over 24 months to 36 months	132,319	—
Over 36 months	33,553	33,781
Total	165,872	123,290
Discount	(5,589)	(5,763)
Debt Issuance Cost	(1,416)	(986)
Carrying value	$ 158,867	$ 116,541

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

Residential Mortgage Loan Securitization Transaction

The Company has completed four residential mortgage loan securitizations (other than the distressed residential mortgage loan securitizations discussed above) since inception; the first three were accounted for as permanent financings and have been included in the Company's accompanying consolidated financial statements. The fourth was accounted for as a sale and accordingly, is not included in the Company's accompanying consolidated financial statements.

Unconsolidated VIEs

The Company has evaluated its multi-family CMBS investments in two Freddie Mac-sponsored K-Series securitizations as of December 31, 2016 and 2015 , respectively, and its mezzanine loan, preferred equity and other equity investments to determine whether they are VIEs and should be consolidated by the Company. Based on a number of factors, the Company determined that it does not have a controlling financial interest and is not the primary beneficiary of these VIEs. The following table presents the classification and carrying value of unconsolidated VIEs as of December 31, 2016 and 2015 (dollar amounts in thousands):

	December 31, 2016				
	Investment securities available for sale, at fair value, held in securitization trusts	**Receivables and other assets**	**Mezzanine loan and preferred equity investments**	**Investment in unconsolidated entities**	**Total**
Multi-Family CMBS	$ 43,897	$ 74	$ —	$ —	$ 43,971
Mezzanine/Construction loan on multi-family properties	—	—	18,881	—	18,881
Preferred equity investment on multi-family properties	—	—	81,269	18,928	100,197
Equity investments in entities that invest in multi-family properties	—	—	—	22,252	22,252
Total assets	$ 43,897	$ 74	$ 100,150	$ 41,180	$ 185,301

	December 31, 2015				
	Investment securities available for sale, at fair value, held in securitization trusts	**Receivables and other assets**	**Mezzanine loan and preferred equity investments**	**Investment in unconsolidated entities**	**Total**
Multi-Family CMBS	$ 40,734	$ 76	$ —	$ —	$ 40,810
Mezzanine/Construction loan on multi-family properties	—	—	8,663	8,718	17,381
Preferred equity investment on multi-family properties	—	—	35,488	10,776	46,264
Equity investments in entities that invest in multi-family properties	—	—	—	66,242	66,242
Total assets	$ 40,734	$ 76	$ 44,151	$ 85,736	$ 170,697

Our maximum loss exposure on the multi-family CMBS investments and mezzanine loan, preferred equity and other equity investments is approximately $185.3 million and $170.7 million at December 31, 2016 and December 31, 2015 , respectively. The Company's maximum exposure does not exceed the carrying value of its investments.

10. Derivative Instruments and Hedging Activities

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

Derivatives Not Designated as Hedging Instruments

The following table presents the fair value of derivative instruments that were not designated as hedging instruments and their location in our consolidated balance sheets at December 31, 2016 and December 31, 2015 , respectively (dollar amounts in thousands):

	Balance Sheet Location	December 31, 2016	December 31, 2015
TBA Securities	Derivative assets	$ 148,139	$ 226,929
Eurodollar futures	Derivative assets	1,175	—
Options on U.S. Treasury futures	Derivative assets	—	15
Interest rate swap futures	Derivative assets	444	706
Swaptions	Derivative assets	431	821
Eurodollar futures	Derivative liabilities	—	1,242
U.S. Treasury futures	Derivative liabilities	107	—
Interest rate swaps (1)	Derivative liabilities	384	258

(1) Includes interest rate swaps in our Agency IO portfolio. There was no netting of interest rate swaps at December 31, 2016 and December 31, 2015 .

The tables below summarize the activity of derivative instruments not designated as hedges for the years ended December 31, 2016 and 2015 , respectively (dollar amounts in thousands).

	Notional Amount For the Year Ended December 31, 2016			
	December 31, 2015	Additions	Settlement, Expiration or Exercise	December 31, 2016
TBA securities	$ 222,000	$ 4,070,000	$ (4,143,000)	$ 149,000
U.S. Treasury futures	—	201,900	(184,800)	17,100
Interest rate swap futures	(137,200)	868,800	(883,300)	(151,700)
Eurodollar futures	(2,769,000)	6,323,000	(6,129,000)	(2,575,000)
Options on U.S. Treasury futures	28,000	111,000	(139,000)	—
Swaptions	159,000	—	(5,000)	154,000
Interest rate swaps	10,000	5,000	—	15,000

	Notional Amount For the Year Ended December 31, 2015			
	December 31, 2014	Additions	Settlement, Expiration or Exercise	December 31, 2015
TBA securities	$ 273,000	$ 3,801,000	$ (3,852,000)	$ 222,000
U.S. Treasury futures	2,300	150,200	(152,500)	—
Interest rate swap futures	(190,100)	1,165,200	(1,112,300)	(137,200)
Eurodollar futures	(2,961,000)	2,925,000	(2,733,000)	(2,769,000)
Options on U.S. Treasury futures	21,000	375,000	(368,000)	28,000
Swaptions	180,000	9,000	(30,000)	159,000
Interest rate swaps	10,000	—	—	10,000

The following table presents the components of realized and unrealized gains and losses related to our derivative instruments that were not designated as hedging instruments included in other income category in our consolidated statements of operations for the years ended December 31, 2016 , 2015 and 2014 :

	Years Ended December 31,					
	2016		2015		2014	
	Realized Gains (Losses)	Unrealized Gains (Losses)	Realized Gains (Losses)	Unrealized Gains (Losses)	Realized Gains (Losses)	Unrealized Gains (Losses)
TBA	$ 3,998	$ 534	$ 5,244	$ (2,253)	$ 13,708	$ 2,472
Eurodollar futures [(1)]	(3,202)	2,417	(2,321)	(342)	(2,146)	533
Interest rate swaps	—	(126)	—	(26)	259	(232)
Swaptions	—	568	—	(658)	—	(1,068)
U.S. Treasury and Interest rate swap futures and options	(2,040)	(336)	(9,631)	579	(8,831)	(3,332)
Total	$ (1,244)	$ 3,057	$ (6,708)	$ (2,700)	$ 2,990	$ (1,627)

(1) At December 31, 2016 , the Eurodollar futures consist of 2,575 contracts with expiration dates ranging between March 2017 and June 2018 .

The use of TBAs exposes the Company to market value risk, as the market value of the securities that the Company is required to purchase pursuant to a TBA transaction may increase or decrease from the agreed-upon purchase price. At December 31, 2016 and December 31, 2015 , our consolidated balance sheets include TBA-related liabilities of $148.0 million and $228.0 million included in payable for securities purchased, respectively. Open TBA purchases and sales involving the same counterparty, same underlying deliverable and the same settlement date are reflected in our consolidated financial statements on a net basis. TBA sales amounting to approximately $114.4 million were netted against TBA purchases amounting to approximately $262.4 million at December 31, 2016 . There was $55.1 million netting of TBA sales against TBA purchases of $283.1 million at December 31, 2015 .

Derivatives Designated as Hedging Instruments

The Company’s interest rate swaps, except interest swaps included in its Agency IO portfolio, are used to hedge the variable cash flows associated with borrowings made under our financing arrangements, including FHLBI advances until January 2016 when we repaid them, and are designated as cash flow hedges. There were no costs incurred at the inception of the Company's interest rate swaps, under which the Company agrees to pay a fixed rate of interest and receive a variable interest rate based on one month LIBOR, on the notional amount of the interest rate swaps.

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

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

The following table presents the fair value of derivative instruments designated as hedging instruments and their location in the Company's consolidated balance sheets at December 31, 2016 and December 31, 2015 , respectively (dollar amounts in thousands):

	Balance Sheet Location	December 31, 2016	December 31, 2015
Interest rate swaps	Derivative assets	$ 108	$ 304
Interest rate swaps	Derivative liabilities	6	$ —

The Company has netting arrangements by counterparty with respect to its interest rate swaps. Contracts in a liability position of $29.1 thousand have been netted against the asset position of $133.5 thousand and contracts in a liability position of $0.3 million have been netted against the asset position of $0.3 million in the accompanying consolidated balance sheets at December 31, 2016 and December 31, 2015 , respectively.

The following table presents the impact of the Company's interest rate swaps designated as hedging instruments on the Company's accumulated other comprehensive income (loss) for the years ended December 31, 2016 , 2015 and 2014 (dollar amounts in thousands):

	Years Ended December 31,		
	2016	2015	2014
Accumulated other comprehensive income (loss) for derivative instruments:			
Balance at beginning of the period	$ 304	$ 1,135	$ 2,041
Unrealized (loss) gain on interest rate swaps	(202)	(831)	(906)
Balance at end of the period	$ 102	$ 304	$ 1,135

The Company estimates that over the next 12 months , approximately $49.2 thousand of the net unrealized losses on the interest rate swaps will be reclassified from accumulated other comprehensive income (loss) into earnings.

The following table details the impact of the Company's interest rate swaps designated as hedging instruments included in interest expense for the years ended December 31, 2016 , 2015 and 2014 , respectively (dollar amounts in thousands):

	Years Ended December 31,		
	2016	2015	2014
Interest Rate Swaps:			
Interest expense-investment securities	$ 743	$ 1,619	$ 1,848

The following table presents information about our interest rate swaps (including interest rate swaps in our Agency IO portfolio) whereby we receive floating rate payments in exchange for fixed rate payments as of December 31, 2016 and December 31, 2015 , respectively (dollar amounts in thousands):

	December 31, 2016			December 31, 2015		
Swap Maturities	Notional Amount	Weighted Average Fixed Interest Rate	Weighted Average Variable Interest Rate	Notional Amount	Weighted Average Fixed Interest Rate	Weighted Average Variable Interest Rate
2017	$ 215,000	0.83%	0.74%	$ 215,000	0.83%	0.39%
2019	10,000	2.25%	0.97%	10,000	2.25%	0.59%
Total	$ 225,000	0.90%	0.75%	$ 225,000	0.90%	0.40%

The following table presents information about our interest rate swaps in our Agency IO portfolio whereby we receive fixed rate payments in exchange for floating rate payments as of December 31, 2016 and December 31, 2015 , respectively (dollar amounts in thousands):

	December 31, 2016			December 31, 2015		
Swap Maturities	Notional Amount	Weighted Average Fixed Interest Rate	Weighted Average Variable Interest Rate	Notional Amount	Weighted Average Fixed Interest Rate	Weighted Average Variable Interest Rate
2026	$ 5,000	1.80%	1.00%	$ —	—	—
Total	$ 5,000	1.80%	1.00%	$ —	—	—

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

The Company is required to pledge assets under a bi-lateral margin arrangement, including either cash or Agency RMBS, as collateral for its interest rate swaps, futures contracts and TBAs, whose collateral requirements vary by counterparty and change over time based on the market value, notional amount, and remaining term of the agreement. In the event the Company is unable to meet a margin call under one of its agreements, thereby causing an event of default or triggering an early termination event under one of its agreements, the counterparty to such agreement may have the option to terminate all of such counterparty's outstanding transactions with the Company. In addition, under this scenario, any close-out amount due to the counterparty upon termination of the counterparty's transactions would be immediately payable by the Company pursuant to the applicable agreement. The Company believes it was in compliance with all margin requirements under its agreements as of December 31, 2016 and 2015 . The Company had $6.1 million and $6.3 million of restricted cash related to margin posted for its agreements as of December 31, 2016 and 2015 , respectively. The restricted cash held by third parties is included in receivables and other assets in the accompanying consolidated balance sheets.

11. Financing Arrangements, Portfolio Investments

The Company entered into repurchase agreements with third party financial institutions to finance its investment portfolio. These financing arrangements are short-term borrowings that bear interest rates typically based on a spread to LIBOR, and are secured by the securities which they finance. At December 31, 2016 , the Company had repurchase agreements with an outstanding balance of $773.1 million and a weighted average interest rate of 1.92% . At December 31, 2015 , the Company had repurchase agreements and FHLBI advances with an outstanding balance of $577.4 million and a weighted average interest rate of 0.71% .

The following table presents detailed information about the Company's borrowings under financing arrangements and associated assets pledged as collateral at December 31, 2016 and December 31, 2015 (dollar amounts in thousands):

	2016			2015		
Assets Pledged as Collateral	**Outstanding Borrowings**	**Fair Value of Collateral Pledged**	**Amortized Cost Of Collateral Pledged**	**Outstanding Borrowings (1)**	**Fair Value of Collateral Pledged**	**Amortized Cost Of Collateral Pledged**
Agency ARMs	$ 102,088	$ 109,552	$ 110,903	$ 227,609	$ 141,585	$ 143,754
Agency Fixed Rate	289,619	308,411	318,544	261,644	374,691	386,853
Agency IOs/U.S. Treasury Securities	60,862	82,153	93,819	88,160	123,407	139,218
Non-Agency	113,749	150,944	149,969	—	—	—
CMBS (2)	206,824	294,083	216,092	—	—	—
Balance at end of the period	$ 773,142	$ 945,143	$ 889,327	$ 577,413	$ 639,683	$ 669,825

(1) Includes FHLBI advances amounting to $121.0 million as of December 31, 2015.
(2) Includes first loss tranche PO securities with a fair value amounting to $254.6 million included in the Consolidated K-Series as of December 31, 2016.

As of December 31, 2016 and 2015 , the average days to maturity for all financing arrangements,including FHLBI advances, were 12 days and 27 days , respectively. The Company's accrued interest payable on outstanding financing arrangements, including FHLBI advances, at December 31, 2016 and 2015 amounts to $1.1 million and $0.3 million , respectively, and is included in accrued expenses and other liabilities on the Company's consolidated balance sheets.

The following table presents contractual maturity information about the Company's outstanding financing arrangements, including FHLBI advances, at December 31, 2016 and 2015 (dollar amounts in thousands):

Contractual Maturity	**December 31, 2016**	**December 31, 2015**
Within 30 days	$ 729,134	$ 468,402
Over 30 days to 90 days	44,008	85,423
Over 90 days	—	23,588
Total	$ 773,142	$ 577,413

As of December 31, 2016 , the outstanding balance under our financing arrangements was funded at an advance rate of 84.6% that implies an average haircut of 15.4% . As of December 31, 2016 , the weighted average "haircut" related to our repurchase agreement financing for our Agency RMBS (excluding Agency IOs), non-Agency RMBS, CMBS and Agency IOs was approximately 5% , 25% , 27% and 25% , respectively.

In the event we are unable to obtain sufficient short-term financing through financing arrangements or our lenders start to require additional collateral, we may have to liquidate our investment securities at a disadvantageous time, which could result in losses. Any losses resulting from the disposition of our investment securities in this manner could have a material adverse effect on our operating results and net profitability. At December 31, 2016 and December 31, 2015 , the Company had financing arrangements with eight and six counterparties, respectively. At December 31, 2016 , the Company's only exposure where the amount at risk was in excess of 5% of the Company's stockholders' equity was to Deutsche Bank AG, London Branch at 5.1% . At December 31, 2015 , we had no counterparties where the amount at risk was in excess of 5% of the Company's stockholders' equity. The amount at risk is defined as the fair value of securities pledged as collateral to the financing arrangement in excess of the financing arrangement liability.

As of December 31, 2016 , our available liquid assets include unrestricted cash and cash equivalents, overnight deposits and unencumbered securities that we believe may be posted as margin. The Company had $83.6 million in cash and cash equivalents, $35.6 million in overnight deposits in our Agency IO portfolio included in restricted cash and $85.1 million in unencumbered investment securities to meet additional haircuts or market valuation requirements. The unencumbered securities that we believe may be posted as margin as of December 31, 2016 included $29.1 million of Agency RMBS, $43.6 million of CMBS and $12.3 million of non-Agency RMBS. The cash and unencumbered securities, which collectively represent 26.4% of our financing arrangements, are liquid and could be monetized to pay down or collateralize a liability immediately.

12. Financing Arrangements, Residential Mortgage Loans

The Company has a master repurchase agreement with Deutsche Bank AG, Cayman Islands Branch with a maximum aggregate committed principal amount of $200.0 million and a maximum uncommitted principal amount of $50.0 million to fund distressed residential mortgage loans, expiring on December 13, 2017 . At December 31, 2015 , the master repurchase agreement provided for an aggregate principal committed amount of up to $250.0 million . The outstanding balance on this master repurchase agreement as of December 31, 2016 and December 31, 2015 amounts to approximately $193.8 million and $214.5 million , respectively, bearing interest at one-month LIBOR plus 2.50% (3.26% and 2.92% at December 31, 2016 and December 31, 2015 , respectively).

In addition, the Company has entered into a master repurchase agreement with Deutsche Bank AG, Cayman Islands Branch in an aggregate principal amount of up to $100.0 million , to fund the future purchase of residential mortgage loans. The outstanding balance on the master repurchase agreement will bear interest at one-month LIBOR plus 4.0% and expires on May 25, 2017. There was no outstanding balance on this master repurchase agreement as of December 31, 2016 and December 31, 2015 .

During the terms of the master repurchase agreements, proceeds from the residential mortgage loans, including the Company's distressed residential mortgage loans, will be applied to pay any price differential and to reduce the aggregate repurchase price of the collateral. The financings under the master repurchase agreements are subject to margin calls to the extent the market value of the residential mortgage loans falls below specified levels and repurchase may be accelerated upon an event of default under the master repurchase agreements. The master repurchase agreements contain various covenants, including among other things, the maintenance of certain amounts of net worth, liquidity and leverage ratios. The Company is in compliance with such covenants as of February 28, 2017 .

13. Residential Collateralized Debt Obligations

The Company’s Residential CDOs, which are recorded as liabilities on the Company’s consolidated balance sheets, are secured by ARM loans pledged as collateral, which are recorded as assets of the Company. As of December 31, 2016 and 2015 , the Company had Residential CDOs outstanding of $91.7 million and $116.7 million , respectively. As of December 31, 2016 and 2015 , the current weighted average interest rate on these CDOs was 1.37% and 0.8% , respectively. The Residential CDOs are collateralized by ARM loans with a principal balance of $98.3 million and $122.5 million at December 31, 2016 and 2015 , respectively. The Company retained the owner trust certificates, or residual interest for three securitizations, and, as of December 31, 2016 and 2015 , had a net investment in the residential securitization trusts of $4.4 million and $4.4 million , respectively.

14. Subordinated Debentures

Subordinated debentures are trust preferred securities that are fully guaranteed by the Company with respect to distributions and amounts payable upon liquidation, redemption or repayment. The following table summarizes the key details of the Company's subordinated debentures as of December 31, 2016 and December 31, 2015 (dollar amounts in thousands):

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

As of February 28, 2017 the Company has not been notified, and is not aware, of any event of default under the covenants for the subordinated debentures.

15. Commitments and Contingencies

Loans Sold to Third Parties – In the normal course of business, the Company is obligated to repurchase loans based on violations of representations and warranties in its loan sale agreements. The Company did not repurchase any loans during the three years ended December 31, 2016 .

Outstanding Litigation – The Company is at times subject to various legal proceedings arising in the ordinary course of business. As of December 31, 2016 , the Company does not believe that any of its current legal proceedings, individually or in the aggregate, will have a material adverse effect on its operations, financial condition or cash flows.

Leases – As of December 31, 2016 , the Company has entered into multi-year lease agreements for office space accounted for as non-cancelable operating leases. Total property lease expense on these leases for the years ended December 31, 2016 , 2015 , and 2014 amounted to $0.3 million , $0.2 million , and $0.2 million , respectively. The leases are secured by cash deposits in the amount of $0.2 million .

As of December 31, 2016 , obligations under non-cancelable operating leases are as follows (dollar amounts in thousands):

Year Ending December 31,	Total
2017	$ 337
2018	348
2019	353
2020	298
2021	217
Thereafter	435
	$ 1,988

16. Fair Value of Financial Instruments

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

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

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

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

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

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

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

   The Company's CMBS held in securitization trusts are comprised of securities for which there are not substantially similar securities that trade frequently. The Company classifies these securities as Level 3 fair values. Fair value of the Company's CMBS investments held in securitization trusts is based on an internal valuation model that considers expected cash flows from the underlying loans and yields required by market participants. The significant unobservable inputs used in the measurement of these investments are projected losses of certain identified loans within the pool of loans and a discount rate. The discount rate used in determining fair value incorporates default rate, loss severity and current market interest rates. The discount rate ranges from 4.5% to 10.5% . Significant increases or decreases in these inputs would result in a significantly lower or higher fair value measurement.

b. *Multi-Family Loans Held in Securitization Trusts* – Multi-family loans held in securitization trusts are carried at fair value as a result of a fair value election and classified as Level 3 fair values. Effective January 1, 2016, the Company determines the fair value of multi-family loans held in securitization trusts based on the fair value of its Multi-Family CDOs and its retained interests from these securitizations (eliminated in consolidation in accordance with U.S. GAAP), as the fair value of these instruments is more observable. Prior to January 1, 2016, fair value was based on an internal valuation model that considers expected cash flows from the underlying loans and yields required by market participants. The significant unobservable inputs used in the measurement of these investments are discount rates. The discount rate used in determining fair value incorporates default rate, loss severity and current market interest rates.

c. *Derivative Instruments* – The fair value of interest rate swaps, swaptions, options and TBAs are based on dealer quotes. The fair value of futures is based on exchange-traded prices. The Company's derivatives are classified as Level 1 or Level 2 fair values.

d. *Multi-Family CDOs* – Multi-Family collateralized debt obligations are recorded at fair value and classified as Level 3 fair values. The fair value of Multi-Family CDOs is determined using a third party pricing service or are based on quoted prices provided by dealers who make markets in similar financial instruments. The dealers will consider contractual cash payments and yields expected by market participants. Dealers also incorporate common market pricing methods, including a spread measurement to the Treasury curve or interest rate swap curve as well as underlying characteristics of the particular security including coupon, periodic and life caps, collateral type, rate reset period and seasoning or age of the security. The Company's Multi-Family CDOs are classified as Level 3 fair values.

e. *Investments in Unconsolidated Entities* – Fair value for investments in unconsolidated entities is determined based on a valuation model using assumptions for the timing and amount of expected future cash flow for income and realization events for the underlying assets in the unconsolidated entities and a discount rate. This fair value measurement is generally based on unobservable inputs and, as such, is classified as Level 3 in the fair value hierarchy.

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

The following table presents the Company's financial instruments measured at fair value on a recurring basis as of December 31, 2016 and 2015 , respectively, on the Company's consolidated balance sheets (dollar amounts in thousands):

	Measured at Fair Value on a Recurring Basis at							
	December 31, 2016				December 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets carried at fair value								
Investment securities available for sale:								
Agency RMBS	$ —	$ 526,363	$ —	$ 526,363	$ —	$ 713,116	$ —	$ 713,116
Non-Agency RMBS	—	163,284	—	163,284	—	1,567	—	1,567
U.S. Treasury Securities	2,887	—	—	2,887	10,037	—	—	10,037
CMBS	—	82,545	43,897	126,442	—	—	40,734	40,734
Multi-family loans held in securitization trusts	—	—	6,939,844	6,939,844	—	—	7,105,336	7,105,336
Derivative Assets:								
TBA Securities	—	148,139	—	148,139	—	226,929	—	226,929
Options on U.S. Treasury futures	—	—	—	—	15	—	—	15
Interest rate swap futures	444	—	—	444	706	—	—	706
Interest rate swaps	—	108	—	108	—	304	—	304
Swaptions	—	431	—	431	—	821	—	821
Eurodollar Futures	1,175	—	—	1,175	—	—	—	—
Investments in unconsolidated entities	—	—	60,332	60,332	—	—	67,571	67,571
Total	$ 4,506	$ 920,870	$ 7,044,073	$ 7,969,449	$ 10,758	$ 942,737	$ 7,213,641	$ 8,167,136
Liabilities carried at fair value								
Multi-family collateralized debt obligations	$ —	$ —	$ 6,624,896	$ 6,624,896	$ —	$ —	$ 6,818,901	$ 6,818,901
Derivative liabilities:								
US Treasury Futures	107	—	—	107	—	—	—	—
Interest rate swaps	—	391	—	391	—	258	—	258
Eurodollar futures	—	—	—	—	1,242	—	—	1,242
Total	$ 107	$ 391	$ 6,624,896	$ 6,625,394	$ 1,242	$ 258	$ 6,818,901	$ 6,820,401

The following table details changes in valuation for the Level 3 assets for the years ended December 31, 2016 , 2015 and 2014 , respectively (amounts in thousands):

Level 3 Assets:

	Years Ended December 31,		
	2016	**2015**	**2014**
Balance at beginning of period	$ 7,213,641	$ 8,442,604	$ 8,209,702
Total gains (realized/unrealized)			
Included in earnings [(1)]	(19,460)	(90,662)	384,826
Included in other comprehensive income (loss)	224	(360)	(5,863)
Sales [(2)]	—	(1,075,529)	(93,578)
Transfers in [(3)]	52,176	—	—
Transfers out [(4)]	(56,756)	—	—
Contributions	3,200	26,461	33,075
Paydowns	(141,263)	(85,979)	(80,451)
Distributions	(7,689)	(2,894)	(1,712)
Sale of real estate owned	—	—	(3,395)
Balance at the end of period	$ 7,044,073	$ 7,213,641	$ 8,442,604

(1) Amounts included in interest income from multi-family loans held in securitization trusts, unrealized gain on multi-family loans and debt held in securitization trusts, realized gain (loss) on investment securities and related hedges, gain on de-consolidation, and other income.

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

(3) Transfers into Level 3 are investments in unconsolidated entities held by RiverBanc and RBMI for which the Company accounts under the equity method of accounting with a fair value election. These transfers in are a result of the Company's acquisition of the outstanding membership interests in RiverBanc and RBMI that were not previously owned by the Company on May 16, 2016, which resulted in consolidation of these entities into the Company's financial statements. (s *ee Note 21*).

(4) Transfers out of Level 3 are the Company's previously held membership interests in RBMI and RBDHC that were accounted for under the equity method of accounting with a fair value election. These transfers out are a result of the Company's acquisition of the outstanding membership interests in RBMI and RBDHC that were not previously owned by the Company on May 16, 2016, which resulted in consolidation of these entities into the Company's financial statements. (*see Note 21*).

The following table details changes in valuation for the Level 3 liabilities for the years ended December 31, 2016 , 2015 and 2014 , respectively (amounts in thousands):

Level 3 Liabilities:

	Years Ended December 31,		
	2016	2015	2014
Balance at beginning of period	$ 6,818,901	$ 8,048,053	$ 7,871,020
Total gains (realized/unrealized)			
Included in earnings [(1)]	(57,687)	(133,245)	260,872
Included in other comprehensive income	—	—	—
Purchases/(Sales) [(2)]	—	(1,009,942)	—
Paydowns	(136,318)	(85,965)	(83,839)
Balance at the end of period	$ 6,624,896	$ 6,818,901	$ 8,048,053

(1) Amounts included in interest expense on multi-family collateralized debt obligations, realized gain (loss) on investment securities and related hedges, net and unrealized gain on multi-family loans and debt held in securitization trusts, net.
(2) In February 2015, the Company sold a first loss PO security from one of the Company's Consolidated K-Series securitizations obtaining total proceeds of approximately $44.3 million and realizing a gain of approximately $1.5 million . The sale resulted in a de-consolidation of $1.1 billion in Multi-Family loans held in a securitization trust and $1.0 billion in Multi-Family CDOs.

The following table details the changes in unrealized gains (losses) included in earnings for our Level 3 assets and liabilities for the years ended December 31, 2016 , 2015 and 2014 , respectively (dollar amounts in thousands):

	Years Ended December 31,		
	2016	2015	2014
Change in unrealized gains (losses) – assets	$ 10,794	$ (61,957)	$ 390,371
Change in unrealized (losses) gains – liabilities	(7,762)	74,325	(333,440)
Net change in unrealized gains included in earnings for assets and liabilities	$ 3,032	$ 12,368	$ 56,931

The following table presents assets measured at fair value on a non-recurring basis as of December 31, 2016 and 2015 , respectively, on the Company's consolidated balance sheets (dollar amounts in thousands):

	Assets Measured at Fair Value on a Non-Recurring Basis at							
	December 31, 2016				December 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Residential Mortgage loans held in securitization trusts – impaired loans (net)	$ —	$ —	$ 9,050	$ 9,050	$ —	$ —	$ 8,976	$ 8,976
Real estate owned held in residential securitization trusts	—	—	150	150	—	—	411	411

The following table presents gains (losses) incurred for assets measured at fair value on a non-recurring basis for the years ended December 31, 2016 , 2015 and 2014 , respectively, on the Company's consolidated statements of operations (dollar amounts in thousands):

	Years Ended December 31,		
	2016	2015	2014
Residential mortgage loans held in securitization trusts – impaired loans (net)	$ (482)	$ (1,261)	$ (998)
Real estate owned held in residential securitization trusts	(130)	100	(103)

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

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

The following table presents the carrying value and estimated fair value of the Company's financial instruments at December 31, 2016 and 2015 , respectively (dollar amounts in thousands):

		December 31, 2016		December 31, 2015	
	Fair Value Hierarchy Level	**Carrying Value**	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Financial Assets:					
Cash and cash equivalents	Level 1	$ 83,554	$ 83,554	$ 61,959	$ 61,959
Investment securities available for sale [(1)]	Level 1, 2 or 3	818,976	818,976	765,454	765,454
Residential mortgage loans held in securitization trusts (net)	Level 3	95,144	88,718	119,921	109,120
Distressed residential mortgage loans (net) [(2)]	Level 3	503,094	504,915	558,989	564,310
Multi-family loans held in securitization trusts, at fair value	Level 3	6,939,844	6,939,844	7,105,336	7,105,336
Derivative assets	Level 1 or 2	150,296	150,296	228,775	228,775
Mortgage loans held for sale (net) [(3)]	Level 3	7,847	7,959	5,471	5,557
Mortgage loans held for investment [(3)]	Level 3	19,529	19,641	2,706	2,846
Mezzanine loan and preferred equity investments [(4)]	Level 3	100,150	101,408	44,151	44,540
Investments in unconsolidated entities [(5)]	Level 3	79,259	79,390	87,662	87,558
Financial Liabilities:					
Financing arrangements, portfolio investments	Level 2	$ 773,142	$ 773,142	$ 577,413	$ 577,413
Financing arrangements, distressed residential mortgage loans	Level 2	192,419	192,419	212,155	212,155
Residential collateralized debt obligations	Level 3	91,663	85,568	116,710	105,606
Multi-family collateralized debt obligations, at fair value	Level 3	6,624,896	6,624,896	6,818,901	6,818,901
Securitized debt	Level 3	158,867	163,884	116,541	123,776
Derivative liabilities	Level 1 or 2	498	498	1,500	1,500
Payable for securities purchased	Level 1	148,015	148,015	227,969	227,969
Subordinated debentures	Level 3	45,000	43,132	45,000	42,731

(1) Includes $43.9 million and $40.7 million of investment securities for sale held in securitization trusts as of December 31, 2016 and December 31, 2015 , respectively.
(2) Includes distressed residential mortgage loans held in securitization trusts with a carrying value amounting to approximately $195.3 million and $114.2 million at December 31, 2016 and December 31, 2015 , respectively and distressed residential mortgage loans with a carrying value amounting to approximately $307.7 million and $444.8 million at December 31, 2016 and December 31, 2015 , respectively.
(3) Included in receivables and other assets in the accompanying consolidated balance sheets.
(4) Includes mezzanine loan and preferred equity investments accounted for as loans (see *Note 8*).
(5) Includes investments in unconsolidated entities accounted for under the fair value option with a carrying value of $60.3 million and $67.6 million at December 31, 2016 and December 31, 2015, respectively.

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

a. *Cash and cash equivalents* – Estimated fair value approximates the carrying value of such assets.

b. *Residential mortgage loans held in securitization trusts (net)* – Residential mortgage loans held in securitization trusts are recorded at amortized cost. Fair value is based on an internal valuation model that considers the aggregated characteristics of groups of loans such as, but not limited to, collateral type, index, interest rate, margin, length of fixed-rate period, life cap, periodic cap, underwriting standards, age and credit estimated using the estimated market prices for similar types of loans.

c. *Distressed residential mortgage loans (net)* – Fair value is estimated using pricing models taking into consideration current interest rates, loan amount, payment status and property type, and forecasts of future interest rates, home prices and property values, prepayment speeds, default, loss severities, and actual purchases and sales of similar loans.

d. *Receivable for securities sold* – Estimated fair value approximates the carrying value of such assets.

e. *Mortgage loans held for sale (net)* - The fair value of mortgage loans held for sale (net) are estimated by the Company based on the price that would be received if the loans were sold as whole loans taking into consideration the aggregated characteristics of the loans such as, but not limited to, collateral type, index, interest rate, margin, length of fixed interest rate period, life time cap, periodic cap, underwriting standards, age and credit.

f. *Mezzanine loan and preferred equity investments* – Estimated fair value is determined by both market comparable pricing and discounted cash flows. The discounted cash flows are based on the underlying contractual cash flows and estimated changes in market yields. The fair value also reflects consideration of changes in credit risk since the origination or time of initial investment.

g. *Financing arrangements* – The fair value of these financing arrangements approximates cost as they are short term in nature.

h. *Residential collateralized debt obligations* – The fair value of these CDOs is based on discounted cash flows as well as market pricing on comparable obligations.

i. *Securitized debt* – The fair value of securitized debt is based on discounted cash flows using management's estimate for market yields.

j. *Payable for securities purchased* – Estimated fair value approximates the carrying value of such liabilities.

k. *Subordinated debentures* – The fair value of these subordinated debentures is based on discounted cash flows using management's estimate for market yields.

17. Stockholders' Equity

(a) Dividends on Preferred Stock

The Company had 200,000,000 authorized shares of preferred stock, par value $0.01 per share, with 6,600,000 shares issued and outstanding as of December 31, 2016 and 2015 .

On June 4, 2013, the Company issued 3,000,000 shares of 7.75% Series B Cumulative Redeemable Preferred Stock ("Series B Preferred Stock"), with a par value of $0.01 per share and a liquidation preference of $25 per share, in an underwritten public offering, for net proceeds of approximately $72.4 million , after deducting underwriting discounts and offering expenses. As of December 31, 2016 and December 31, 2015 , there were 6,000,000 shares of Series B Preferred Stock authorized. The Series B Preferred Stock is entitled to receive a dividend at a rate of 7.75% per year on the $25 liquidation preference and is senior to the common stock with respect to distributions upon liquidation, dissolution or winding up.

On April 22, 2015, the Company issued 3,600,000 shares of 7.875% Series C Cumulative Redeemable Preferred Stock ("Series C Preferred Stock"), with a par value of $0.01 per share and a liquidation preference of $25 per share, in an underwritten public offering, for net proceeds of approximately $86.9 million , after deducting underwriting discounts and offering expenses. As of December 31, 2016 and December 31, 2015 , there were 4,140,000 shares of Series C Preferred Stock authorized. The Series C Preferred Stock is entitled to receive a dividend at a rate of 7.875% per year on the $25 liquidation preference and is senior to the common stock with respect to dividends and distribution of assets upon liquidation, dissolution or winding up.

The Series B Preferred Stock and Series C Preferred Stock generally do not have any voting rights, subject to an exception in the event the Company fails to pay dividends on such stock for six or more quarterly periods (whether or not consecutive). Under such circumstances, holders of the Series B Preferred Stock and Series C Preferred Stock, voting together as a single class with the holders of all other classes or series of our preferred stock upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series B Preferred Stock and Series C Preferred Stock, will be entitled to vote to elect two additional directors to the Company's Board of Directors (the "Board") until all unpaid dividends have been paid or declared and set apart for payment. In addition, certain material and adverse changes to the terms of the Series B Preferred Stock and Series C Preferred Stock cannot be made without the affirmative vote of holders of at least two-thirds of the outstanding shares of Series B Preferred Stock or Series C Preferred Stock, respectively.

Neither the Series B Preferred Stock and the Series C Preferred Stock are redeemable by the Company prior to June 4, 2018, in the case of the Series B Preferred Stock, or April 22, 2020, in the case of the Series C Preferred Stock, except under circumstances intended to preserve the Company's qualification as a REIT and except upon the occurrence of a Change of Control (as defined in the Articles Supplementary designating the Series B Preferred Stock and Series C Preferred Stock, respectively). On and after June 4, 2018 and April 22, 2020, the Company may, at its option, redeem the Series B Preferred Stock and Series C Preferred stock, respectively, in whole or in part, at any time or from time to time, for cash at a redemption price equal to $25.00 per share, plus any accumulated and unpaid dividends.

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

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

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

From the time of original issuance of the Series B Preferred Stock and the Series C Preferred Stock through December 31, 2016 , the Company has declared and paid all required quarterly dividends on such series of stock. The following table presents the relevant dates with respect to such quarterly cash dividends on the Series B Preferred Stock commencing January 1, 2014 through December 31, 2016 and Series C Preferred Stock from its respective time of original issuance through December 31, 2016 :

Series B Preferred Stock				Series C Preferred Stock			
Declaration Date	**Record Date**	**Payment Date**	**Cash Dividend Per Share**	**Declaration Date**	**Record Date**	**Payment Date**	**Cash Dividend Per Share**
December 15, 2016	January 1, 2017	January 15, 2017	$ 0.484375	December 15, 2016	January 1, 2017	January 15, 2017	$ 0.4921875
September 15, 2016	October 1, 2016	October 15, 2016	0.484375	September 15, 2016	October 1, 2016	October 15, 2016	0.4921875
June 16, 2016	July 1, 2016	July 15, 2016	0.484375	June 16, 2016	July 1, 2016	July 15, 2016	0.4921875
March 18, 2016	April 1, 2016	April 15, 2016	0.484375	March 18, 2016	April 1, 2016	April 15, 2016	0.4921875
December 16, 2015	January 1, 2016	January 15, 2016	0.484375	December 16, 2015	January 1, 2016	January 15, 2016	0.4921875
September 18, 2015	October 1, 2015	October 15, 2015	0.484375	September 18, 2015	October 1, 2015	October 15, 2015	0.4921875
June 18, 2015	July 1, 2015	July 15, 2015	0.484375	June 18, 2015	July 1, 2015	July 15, 2015	0.4539100 (1)
March 18, 2015	April 1, 2015	April 15, 2015	0.484375	—	—	—	—
December 12, 2014	January 1, 2015	January 15, 2015	0.484375	—	—	—	—
September 18, 2014	October 1, 2014	October 15, 2014	0.484375	—	—	—	—
June 18, 2014	July 1, 2014	July 15, 2014	0.484375	—	—	—	—
March 13, 2014	April 1, 2014	April 15, 2014	0.484375	—	—	—	—

(1) Cash dividend for the partial quarterly period that began on April 22, 2015 and ended on July 14, 2015.

(b) Dividends on Common Stock

The following table presents cash dividends declared by the Company on its common stock with respect to each of the quarterly periods commencing January 1, 2014 and ended December 31, 2016 :

Period	Declaration Date	Record Date	Payment Date	Cash Dividend Per Share	
Fourth Quarter 2016	December 15, 2016	December 27, 2016	January 26, 2017	$	0.24
Third Quarter 2016	September 15, 2016	September 26, 2016	October 28, 2016		0.24
Second Quarter 2016	June 16, 2016	June 27, 2016	July 25, 2016		0.24
First Quarter 2016	March 18, 2016	March 28, 2016	April 25, 2016		0.24
Fourth Quarter 2015	December 16, 2015	December 28, 2015	January 25, 2016		0.24
Third Quarter 2015	September 18, 2015	September 28, 2015	October 26, 2015		0.24
Second Quarter 2015	June 18, 2015	June 29, 2015	July 27, 2015		0.27
First Quarter 2015	March 18, 2015	March 30, 2015	April 27, 2015		0.27
Fourth Quarter 2014	December 12, 2014	December 22, 2014	January 26, 2015		0.27
Third Quarter 2014	September 18, 2014	September 29, 2014	October 27, 2014		0.27
Second Quarter 2014	June 18, 2014	June 30, 2014	July 25, 2014		0.27
First Quarter 2014	March 13, 2014	March 24, 2014	April 25, 2014		0.27

During 2016 , dividends for our common stock were $0.96 per share. For tax reporting purposes, the 2016 dividends were classified as ordinary income and return of capital in the amounts of $0.44 and $0.52 per share, respectively. During 2015 , dividends for our common stock were $1.02 per share. For tax reporting purposes, the 2015 dividends were classified as ordinary income, capital gain distribution and return of capital in the amounts of $0.40 , $0.07 and $0.55 , respectively, per share. During 2014 , dividends for our common stock were $1.08 per share. For tax reporting purposes, the 2014 dividends were classified as ordinary income, capital gain distribution and return of capital in the amounts of $0.61 , $0.35 and $0.12 , respectively, per share.

(c) Public Offering of Common Stock

The table below presents information with respect to shares of the Company's common stock issued through underwritten public offerings during the three years ended December 31, 2016 (amounts in thousands):

Share Issue Date	Shares Issued	Net Proceeds [(1)]	
November 26, 2014	14,410	$	110,784
April 7, 2014	14,950	$	109,916
January 10, 2014	11,500	$	75,846

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

(d) Equity Distribution Agreements

On March 20, 2015, the Company entered into separate equity distribution agreements with each of JMP Securities LLC ("JMP") and MLV & Co. LLC ("MLV"), pursuant to which the Company may sell up to $75,000,000 of aggregate value of (i) shares of the Company's common stock, par value $0.01 per and (ii) shares of the Company's Series B Preferred Stock (the "Series B Preferred Stock" and, together with the Common Stock, the "Offered Securities"), from time to time. On August 25, 2016, the Company entered into an amendment to the equity distribution agreement with JMP (as amended, the "JMP Agreement") and a separate equity distribution agreement (the "Ladenburg Equity Distribution Agreement" and, together with the JMP Agreement, the "Equity Distribution Agreements") with Ladenburg Thalmann & Co. Inc. ("Ladenburg" and, together with JMP, the "Agents"), pursuant to which the Company may sell the Offered Securities remaining under the existing ATM Program through the Agents. The Company has no obligation to sell any of the shares under the Equity Distribution Agreements and may at any time suspend solicitations and offers under the Equity Distribution Agreements.

On August 19, 2016, in anticipation of the Company's execution of the Equity Distribution Agreements described above, the Company delivered to MLV notice of termination of the equity distribution agreement, dated as of March 20, 2015, by and between the Company and MLV, which termination became effective on August 22, 2016.

During the twelve months ended December 31, 2016 , the Company issued 1,905,206 shares under the Equity Distribution Agreements, at an average sales price of $6.87 per share, resulting in total net proceeds to the Company of $12.8 million , after deducting the placement fees. As of December 31, 2016 , approximately $39.8 million of securities remains available for issuance under the Equity Distribution Agreements. During the twelve months ended December 31, 2015 , the Company issued 2,789,439 shares of its common stock under these Equity Distribution Agreements, at an average sales price of $7.91 per share, resulting in total net proceeds to the Company of $21.6 million , after deducting the placement fees.

On March 20, 2015, in connection with the Company’s execution of the Equity Distribution Agreements described above, the Company delivered to JMP a notice of termination of the Equity Distribution Agreement dated June 11, 2012 (the “Prior Equity Distribution Agreement”), which termination became effective March 23, 2015. The Prior Equity Distribution Agreement provided for the sale by the Company of common stock having a maximum aggregate value of up to $25,000,000 from time to time through JMP, as the Company’s agent. During the twelve months ended December 31, 2015 , the Company issued 1,326,676 shares under the Prior Equity Distribution Agreement, at an average sales price of $7.89 per share resulting in total net proceeds to the Company of $10.3 million , after deducting the placement fees. During the term of the Prior Equity Distribution Agreement, the Company sold a total of 2,153,989 shares of its common stock at an average price of $7.63 per share pursuant to the Prior Distribution Agreement, resulting in aggregate net proceeds to the Company of approximately $16.1 million .

18. Earnings Per Share

The Company calculates basic net income per share by dividing net income for the period by weighted-average shares of common stock outstanding for that period. Diluted net income per share takes into account the effect of dilutive instruments, such as convertible preferred stock, stock options and unvested restricted or performance stock, but uses the average share price for the period in determining the number of incremental shares that are to be added to the weighted-average number of shares outstanding. There were no dilutive instruments for the years ended December 31, 2016 , 2015 and 2014 .

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

	For the Years Ended December 31,		
	2016	2015	2014
Numerator :			
Net income attributable to Company's common stockholders – Basic	$ 54,651	$ 67,023	$ 130,379
Net income attributable to Company's common stockholders– Dilutive	$ 54,651	$ 67,023	$ 130,379
Denominator:			
Weighted average basic and dilutive shares outstanding	109,594	108,399	87,867
EPS:			
Basic EPS	$ 0.50	$ 0.62	$ 1.48
Dilutive EPS	$ 0.50	$ 0.62	$ 1.48

19. Stock Incentive Plan

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

Of the common stock authorized at December 31, 2016 and December 31, 2015 , 326,663 shares and 551,609 shares, respectively, were reserved for issuance under the 2010 Plan. The Company's non-employee directors have been issued 207,014 and 146,935 shares under the 2010 Plan as of December 31, 2016 and December 31, 2015 , respectively. The Company's employees have been issued 562,280 and 401,827 shares under the 2010 Plan as of December 31, 2016 and December 31, 2015 , respectively. At December 31, 2016 and December 31, 2015 , there were 319,058 and 280,457 shares of non-vested restricted stock outstanding under the 2010 Plan.

(a) Restricted Common Stock Awards

During the years ended December 31, 2016 , 2015 and 2014 , the Company recognized non-cash compensation expense of $1.0 million , $0.9 million and $0.4 million , respectively. Dividends are paid on all restricted stock issued, whether those shares have vested or not. In general, non-vested restricted stock is forfeited upon the recipient's termination of employment. There were no forfeitures during the years ended December 31, 2016 , 2015 and 2014 .

A summary of the activity of the Company's non-vested restricted stock under the 2010 Plan for the years ended December 31, 2016 , 2015 and 2014 , respectively, is presented below:

	2016		2015		2014	
	Number of Non-vested Restricted Shares	Weighted Average Per Share Grant Date Fair Value (1)	Number of Non-vested Restricted Shares	Weighted Average Per Share Grant Date Fair Value (1)	Number of Non-vested Restricted Shares	Weighted Average Per Share Grant Date Fair Value (1)
Non-vested shares at January 1	280,457	$ 7.63	162,171	$ 7.26	94,873	$ 7.01
Granted	160,453	5.11	185,650	7.79	104,517	7.39
Vested	(121,852)	7.54	(67,364)	7.18	(37,219)	6.97
Non-vested shares as of December 31	319,058	$ 6.40	280,457	$ 7.63	162,171	$ 7.26
Weighted-average restricted stock granted during the period	160,453	$ 5.11	185,650	$ 7.79	104,517	$ 7.39

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

At December 31, 2016 and December 31, 2015 , the Company had unrecognized compensation expense of $1.2 million and $1.3 million , respectively, related to the non-vested shares of restricted common stock under the 2010 Plan. The unrecognized compensation expense at December 31, 2016 is expected to be recognized over a weighted average period of 1.8 years . The total fair value of restricted shares vested during the years ended December 31, 2016 , 2015 and 2014 was $0.6 million , $0.5 million and $0.3 million , respectively. The requisite service period for restricted shares at issuance is three years .

(b) Performance Share Awards

In May 2015, the Compensation Committee of the Board of Directors approved a performance share award (“PSA”) under the 2010 Plan to the Company’s Chairman and Chief Executive Officer. At the time of grant, the target number of shares pursuant to the PSA consisted of 89,629 shares of common stock. The PSA had a grant date fair value of approximately $0.4 million . The PSA award under which the number of underlying shares of Company common stock that can be earned will generally range from 0% to 200% of the target number of shares, with the target number of shares increased to reflect the value of the reinvestment of any dividends declared on Company common stock during the vesting period. Vesting of the PSA will occur at the end of three years based on three -year total stockholder return, or TSR, as follows:

- If three -year TSR is less than 33% , then 0% of the PSUs will vest;
- If three -year TSR is greater than or equal to 33% and the TSR is not in the bottom quartile of an identified peer group, then 100% of the PSAs will vest;
- If three -year TSR is greater than or equal to 33% and the TSR is in the top quartile of an identified peer group, then 200% of the PSAs will vest;
- If three -year TSR is greater than or equal to 33% and the TSR is in the bottom quartile of an identified peer group, then 50% of the PSAs will vest.

TSR is defined, with respect to the Company and each member of the identified peer group, as applicable, as the average annual total shareholder return based on common stock price appreciation/depreciation during the applicable measurement period or until the date of a change of control, whichever first occurs, plus the value on the last day of the applicable measurement period or the date of a change of control of common shares if all cash dividends declared on a common share during such period were reinvested in additional common shares.

Under the terms of the agreement pursuant to which the PSA was granted (the "PSA Agreement"), the PSA is subject to the terms and conditions of the 2010 Plan and in the event of any conflict between the terms of the 2010 Plan and the PSA Agreement, the terms of the 2010 Plan govern. The 2010 Plan provides that the Compensation Committee may determine that the amount payable when an award of performance shares is earned may be settled in cash, by the issuance of shares, or a combination thereof. The maximum number of shares which may be issued under the PSA is limited to 94,043 shares of common stock. In the event the PSA is earned at a level that would cause the Company to issue more than 94,043 shares, the dollar value of the PSA earned in excess of 94,043 shares will be paid in cash, subject to the terms of the 2010 Plan.

The grant date fair values of PSAs were determined through a Monte-Carlo simulation of the Company’s common stock total shareholder return and the common stock total shareholder return of its peer companies to determine the TSR of the Company’s common stock relative to its peer companies over a future period of three years. For the 2015 PSA grant, the inputs used by the model to determine the fair value are (i) historical stock return volatilities of the Company and its peer companies over the most recent three year period, (ii) a risk free rate based on the three year U.S. Treasury rate on grant date, and (iii) historical pairwise stock return correlations between the Company and its peer companies over the most recent three year period.

Compensation expense related to PSAs was $ 0.1 million for the year ended December 31, 2016 . As of December 31, 2016 , there was $0.2 million of unrecognized compensation cost related to the unvested portion of the PSA.

The 2010 Plan also provides that the maximum number of shares of common stock for which awards may be granted to any participant in any calendar year is 250,000 shares (the “Annual Share Limit”). In the event that PSA is earned at a level that would cause the grants to a participant exceed the Annual Share Limit, the dollar value of the PSA earned in excess of the limit will be paid in cash, subject to the terms of the 2010 Plan.

20. Income Taxes

For the years ended December 31, 2016 , 2015 and 2014 , the Company qualified to be taxed as a REIT under the Code for U.S. federal income tax purposes. As long as the Company qualifies as a REIT, the Company generally will not be subject to U.S. federal income taxes on its taxable income to the extent it annually distributes 100% of its taxable income to stockholders and does not engage in prohibited transactions. Certain activities the Company performs may produce income that will not be qualifying income for REIT purposes. The Company has designated its TRSs to engage in these activities. The tables below reflect the taxes accrued at the TRS level and the tax attributes included in the consolidated financial statements.

The income tax provision for the years ended December 31, 2016 , 2015 and 2014 is comprised of the following components (dollar amounts in thousands):

	Years Ended December 31,		
	2016	2015	2014
Current income tax expense			
Federal	$ 2,771	$ 3,158	$ 4,572
State	187	1,283	2,423
Total current income tax expense	$ 2,958	$ 4,441	$ 6,995
Deferred income tax expense (benefit)			
Federal	$ 104	$ 69	$ (458)
State	33	25	(142)
Total deferred income tax expense (benefit)	$ 137	$ 94	$ (600)
Total provision	$ 3,095	$ 4,535	$ 6,395

The Company's estimated taxable income differs from the statutory U.S. federal rate as a result of state and local taxes, non-taxable REIT income, valuation allowance and other differences. A reconciliation of the statutory income tax provision to the effective income tax provision for the years ended December 31, 2016 , 2015 and 2014 , respectively, are as follows (dollar amounts in thousands).

	December 31,					
	2016		2015		2014	
Provision at statutory rate	$ 24,561	35.0 %	$ 28,892	35.0 %	$ 49,316	35.0 %
Non-taxable REIT income	(20,672)	(29.5)	(25,733)	(31.2)	(44,247)	(31.4)
State and local tax provision	187	0.3	1,284	1.6	2,420	1.7
Other	(502)	(0.7)	24,047	29.1	(1,227)	(0.9)
Valuation allowance	(479)	(0.7)	(23,955)	(29.0)	133	0.1
Total provision	$ 3,095	4.4 %	$ 4,535	5.5 %	$ 6,395	4.5 %

Deferred Tax Assets and Liabilities

The major sources of temporary differences included in the deferred tax assets and their deferred tax effect as of December 31, 2016 and 2015 are as follows (dollar amounts in thousands):

	December 31, 2016		December 31, 2015	
Deferred tax assets				
Net operating loss carryforward	$	2,287	$	2,083
Net capital loss carryforward		1,123		2,029
Other		3,059		3,043
Total deferred tax assets (1)	$	6,469	$	7,155
Deferred tax liabilities				
Deferred tax liabilities	$	303	$	192
Total deferred tax liabilities (2)	$	303	$	192
Valuation allowance		(5,978)		(6,457)
Total net deferred tax asset	$	188	$	506

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

As of December 31, 2016 , the Company through a wholly owned TRS, had incurred net operating losses in the aggregate amount of approximately $5.0 million . The Company's carryforward net operating losses will expire between 2033 and 2034 if they are not offset by future taxable income. Additionally, as of December 31, 2016 , the Company, through one of its wholly owned TRSs, had also incurred approximately $2.5 million in capital losses. The Company's carryforward capital losses will expire between 2018 and 2020 if they are not offset by future capital gains. At December 31, 2016 , the Company has recorded a valuation allowance against the deferred tax assets management does not believe it is more likely than not to be realized.

The Company files income tax returns with the U.S. federal government and various state and local jurisdictions. The Company is no longer subject to tax examinations by tax authorities for years prior to 2013. The Company has assessed its tax positions for all open years, which includes 2013 to 2016 and concluded that there are no material uncertainties to be recognized.
In addition, based on the Company's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements.

21. Business Combinations

On May 16, 2016 (the "Acquisition Date"), the Company acquired the outstanding common equity interests in RiverBanc, RBMI, and RBDHC (collectively, the "Acquirees") that were not previously owned by the Company through the consummation of separate membership interest purchase agreements, thereby increasing the Company's ownership of each of these entities to 100% . The results of the Acquirees' operations have been included in the consolidated financial statements since the Acquisition Date. Prior to the Acquisition Date, the Company owned 20.0% , 67.19% and 62.5% of the outstanding common equity interests in RiverBanc, RBMI and RBDHC, respectively. RiverBanc is an investment management firm and registered investment adviser under the Investment Advisers Act of 1940 that was founded in 2010 and has sourced and managed direct and indirect investments in multi-family apartment properties on behalf of both public and private institutional investors, including the Company, RBMI and RBDHC. Prior to the completion of the RiverBanc acquisition, RiverBanc had served as an external manager of the Company pursuant to an investment management agreement, for which it received base management and incentive fees. In connection with the acquisition, the Company terminated its investment management agreement with RiverBanc on May 17, 2016. As of March 31, 2016, RiverBanc managed approximately $371.5 million of the Company's capital. In acquiring a 100% ownership interest in RiverBanc, the Company has internalized the management of its multi-family investments. The Company expects to achieve certain synergies related to processes and personnel as a result of this internalization. In connection with the acquisitions, on the Acquisition Date, the Company named Kevin M. Donlon, the founder and Chief Executive Officer of RiverBanc, President of the Company and entered into an employment agreement with Mr. Donlon effective on the Acquisition Date. On June 16, 2016, the Company's Board of Directors approved the appointment of Mr. Donlon as a director of the Company. Prior to the completion of the acquisitions described above, Donlon Family LLC beneficially owned 59.40% , 5.47% and 6.25% of the outstanding common equity interests in RiverBanc, RMI and RBDHC, respectively. Mr. Donlon beneficially owns 100% of Donlon Family LLC.

The estimated Acquisition Date fair value of the consideration transferred totaled $53.5 million, which consisted of the following (dollar amounts in thousands):

Cash [(1)]	$	29,073
Contingent consideration		3,800
Fair value of previously held membership interests		20,608
Total consideration transferred	$	53,481

(1) Includes $16.3 million paid to Donlon Family LLC and reflects a post-closing working capital adjustment of $20 thousand delivered to the sellers of RiverBanc on July 15, 2016.

Prior to the Acquisition Date, the Company accounted for its previously held membership interests in the Acquirees as equity method investments, utilizing the fair value election for both RBMI and RBDHC. The Acquisition Date fair value of the Company's previously held membership interests in the Acquirees was $20.6 million and is included in the measurement of consideration transferred. In the year ended December 31, 2016 , the Company recorded a net gain as a result of remeasuring its previously held membership interests in RiverBanc, RBMI, and RBDHC totaling $5.0 million. This net gain is included in other income on the Company's consolidated statements of operations.

The Company determined the estimated fair value of its previously held membership interests in RiverBanc using assumptions for the timing and amount of expected net future cash flow for the managed portfolio and a discount rate. The Company determined the estimated fair value of its previously held membership interests in RBMI and RBDHC using assumptions for the timing and amount of expected future cash flow for income and realization events for the underlying assets and a discount rate.

The contingent consideration includes two components:

- A cash holdback in the amount of $3.0 million to be released to Donlon Family LLC upon the purchase by Mr. Donlon or his affiliates of $3.0 million in Company common shares on the open market within 90 days of the Acquisition Date. This cash holdback was paid to Donlon Family LLC on June 10, 2016 upon satisfaction of the conditions to the release of this holdback.

- A severance holdback in the amount of $0.8 million to fund the aggregate amount of all severance compensation and severance benefits to be paid or provided to current or former RiverBanc employees as a result of the acquisition. The severance holdback was settled in cash and paid to a separated employee on June 30, 2016 and the holdback amount in excess of actual severance costs was delivered to the sellers of RiverBanc on July 15, 2016.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed by the Company at the Acquisition Date (dollar amounts in thousands). The membership interest purchase agreement for the acquisition of RiverBanc included a post-closing working capital adjustment that was calculated at $20 thousand and settled with the sellers of RiverBanc on July 15, 2016. Additionally, the excess severance holdback amount described above was settled with the sellers of RiverBanc on July 15, 2016. The Company engaged a third party for valuations of certain intangible assets.

Cash	$	4,325
Investment in unconsolidated entities		52,176
Mezzanine loan and preferred equity investments		23,638
Real estate under development (1)		14,922
Receivables and other assets		911
Intangible assets (1)		3,490
Total identifiable assets acquired	$	99,462
Construction loan payable (2)	$	8,499
Accrued expenses and other liabilities		2,864
Total liabilities assumed	$	11,363
Preferred equity (3)	$	56,697
Net identifiable assets acquired	$	31,402
Goodwill (4)	$	25,222
Gain on bargain purchase (5)		(65)
Non-controlling interest (6)		(3,078)
Net assets acquired	$	53,481

(1) Included in receivables and other assets on the consolidated balance sheets.
(2) Construction loan payable to the Company is eliminated on the consolidated balance sheets.
(3) Includes $40.4 million of preferred equity owned by the Company that is eliminated on the consolidated balance sheets. Remaining $16.3 million of preferred equity owned by third parties was redeemed on June 10, 2016 and June 24, 2016.
(4) Goodwill recognized in the acquisition of RiverBanc.
(5) Gain on bargain purchase recognized in the acquisitions of RBMI and RBDHC.
(6) Represents third-party ownership of KRVI membership interests (*see Note 9*). The Company consolidates its investment in KRVI. The third-party ownership in KRVI is represented in the consolidated financial statements and the pro forma net income attributable to the Company's common stockholders as non-controlling interests. The fair value of the non-controlling interests in KRVI is estimated to be $3.1 million . The fair value of the non-controlling interests in KRVI, a private company, was estimated using assumptions for the timing and amount of expected future cash flow for income and realization events for the underlying real estate.

The $3.5 million of intangible assets relates to the RiverBanc acquisition and was recognized at estimated fair value on the Acquisition Date. Intangible assets include an acquired trade name, acquired technology, and employment/non-compete agreements with useful lives ranging from 1 to 10 years.

The $25.2 million of goodwill recognized is attributable primarily to expected synergies and economies of scale from combining with RiverBanc and the assembled workforce of RiverBanc. For the Company's ongoing evaluation of Goodwill for impairment in accordance with ASC 350, *Intangibles - Goodwill and Other* , the Company's multifamily investment portfolio (inclusive of RiverBanc) will be considered a reporting unit. As of December 31, 2016 , there were changes in the recognized amounts of Goodwill resulting from the acquisition of RiverBanc as a result of payment of the post-closing working capital adjustment of $20 thousand and adjustments to the estimated fair value of intangible assets in the amount of $0.4 million . The Company evaluated goodwill as of October 1, 2016 and no impairment was indicated.

The acquisition of both RBMI and RBDHC was negotiated directly with the sellers and the fair value of identifiable assets acquired and liabilities assumed exceed the fair value of the consideration transferred. Subsequently, the Company reassessed the identification and recognition of identifiable assets acquired and liabilities assumed, the Company’s previously held membership interests, and the consideration transferred and concluded that all items were recognized and that the valuation procedures and measurements were appropriate. Accordingly, the Company recorded a net gain on bargain purchase of $0.1 million that is included in other income on the Company’s consolidated statements of operations.

The amount of revenue of the Acquirees included in the Company’s consolidated statements of operations from the Acquisition Date to the period ended December 31, 2016 is $5.3 million .

The following represents the pro forma consolidated revenue and net income attributable to the Company's common stockholders as if the Acquirees had been included in the consolidated results of the Company for the years ended December 31, 2016 and 2015 , respectively (dollar amounts in thousands):

	Years Ended December 31,			
	2016		2015	
Revenue	$	356,138	$	390,576
Net income attributable to Company's common stockholders	$	51,782	$	72,707
Basic pro forma income per share	$	0.47	$	0.67
Diluted pro forma income per share	$	0.47	$	0.67

These amounts have been calculated after applying the Company’s accounting policies and adjustments for consolidation and amortization that would have been charged assuming the estimated fair value adjustments to intangible assets had been applied on January 1, 2015. Material, nonrecurring pro forma adjustments directly attributable to the business combinations have been included in the pro forma consolidated revenue and net income attributable to the Company's common stockholders shown above as if the transaction occurred on January 1, 2015. These adjustments include a $5.0 million net gain on remeasurement of the Company's previously held membership interests, a $0.1 million net gain on bargain purchase, and the estimated related income tax expense of $2.1 million.

22. Related Party Transactions

The Company terminated its management agreement with RiverBanc on May 17, 2016 as a result of the Company's acquisition of the remaining 80% membership interest in RiverBanc, which resulted in consolidation of RiverBanc into the Company's financial statements (see *Note 21*). Prior to May 16, 2016 , RiverBanc sourced and managed direct and indirect investments in multi-family properties on behalf of the Company pursuant to a management agreement entered into on April 5, 2011 and amended and restated on March 13, 2013 . The amended and restated management agreement had an effective date of January 1, 2013 and had an initial term that expired on December 31, 2015 and was subject to annual automatic one-year renewals (subject to any notice of termination).

Prior to May 16, 2016 and as of December 31, 2015 , the Company owned a 20% membership interest in RiverBanc. For the years ended December 31, 2016 , 2015 and 2014 , the Company recognized approximately $0.1 million , $0.8 million and $2.6 million in equity income related to its investment in RiverBanc, respectively.

For the years ended December 31, 2016 , 2015 and 2014 , the Company expensed $1.8 million , $8.1 million and $14.8 million in fees to RiverBanc, respectively. As of December 31, 2015, the Company had fees payable to RiverBanc of $1.7 million included in accrued expenses and other liabilities.

23. Quarterly Financial Data (unaudited)

The following table is a comparative breakdown of our unaudited quarterly results for the immediately preceding eight quarters (amounts in thousands, except per share data):

	Three Months Ended			
	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016
Interest income	$ 81,626	$ 79,766	$ 79,525	$ 78,389
Interest expense	63,984	63,102	64,007	63,575
Net interest income	$ 17,642	$ 16,664	$ 15,518	$ 14,814
Other Income (loss):				
Recovery (provision) for loan losses	$ 645	$ 42	$ (26)	$ 177
Realized gain (loss) on investment securities and related hedges, net	1,266	1,761	2,306	(8,978)
Realized gain on distressed residential mortgage loans	5,548	26	6,416	2,875
Unrealized (loss) gain on investment securities and related hedges, net	(2,490)	(667)	1,563	8,664
Unrealized gain on multi-family loans and debt held in securitization trusts, net	818	784	738	692
Other income	3,073	8,125	5,635	2,245
Total other income	$ 8,860	$ 10,071	$ 16,632	$ 5,675
General, administrative and other expenses	9,360	9,936	8,705	7,220
Income from operations before income taxes	$ 17,142	$ 16,799	$ 23,445	$ 13,269
Income tax expense	191	2,366	163	375
Net income	$ 16,951	$ 14,433	$ 23,282	$ 12,894
Net loss (income) attributable to non-controlling interest	—	2	(14)	3
Net income attributable to Company	$ 16,951	$ 14,435	$ 23,268	$ 12,897
Preferred stock dividends	(3,225)	(3,225)	(3,225)	(3,225)
Net income attributable to Company's common stockholders	$ 13,726	$ 11,210	$ 20,043	$ 9,672
Per share basic income	$ 0.13	$ 0.10	$ 0.18	$ 0.09
Per share diluted income	$ 0.13	$ 0.10	$ 0.18	$ 0.09
Dividends declared per common share	$ 0.24	$ 0.24	$ 0.24	$ 0.24
Weighted average shares outstanding-basic	109,402	109,489	109,569	109,911
Weighted average shares outstanding-diluted	109,402	109,489	109,569	109,911

	Three Months Ended			
	Mar 31, 2015	Jun 30, 2015	Sep 30, 2015	Dec 31, 2015
Interest income	$ 88,985	$ 84,400	$ 82,587	$ 80,866
Interest expense	67,384	64,097	64,295	64,875
Net interest income	$ 21,601	$ 20,303	$ 18,292	$ 15,991
Other Income:				
(Provision) recovery for loan losses	$ (436)	$ (112)	$ (1,117)	$ 302
Realized gain (loss) on investment securities and related hedges, net	1,124	(1,291)	(2,895)	(1,555)
Gain on de-consolidation of multi-family loans held in securitization trust and multi-family collateralized debt obligations	1,483	—	—	—
Realized gain (loss) on distressed residential mortgage loans	676	3,614	27,224	(263)
Unrealized (loss) gain on investment securities and related hedges, net	(5,728)	4,716	(2,631)	1,002
Unrealized gain (loss) on multi-family loans and debt held in securitization trusts, net	13,628	5,418	(2,170)	(4,508)
Other income	2,286	2,300	1,807	2,967
Total other income (loss)	$ 13,033	$ 14,645	$ 20,218	$ (2,055)
General, administrative and other expenses	$ 10,846	$ 9,139	$ 9,830	$ 9,665
Income from operations before income taxes	$ 23,788	$ 25,809	$ 28,680	$ 4,271
Income tax expense	245	1,178	3,048	64
Net income attributable to Company	$ 23,543	$ 24,631	$ 25,632	$ 4,207
Preferred stock dividends	(1,453)	(3,087)	(3,225)	(3,225)
Net income attributable to Company's common stockholders	$ 22,090	$ 21,544	$ 22,407	$ 982
Per share basic income	$ 0.21	$ 0.20	$ 0.20	$ 0.01
Per share diluted income	$ 0.21	$ 0.20	$ 0.20	$ 0.01
Dividends declared per common share	$ 0.27	$ 0.27	$ 0.24	$ 0.24
Weighted average shares outstanding-basic	105,488	109,252	109,402	109,402
Weighted average shares outstanding-diluted	105,488	109,252	109,402	109,402

24. Subsequent Events

On January 23, 2017 , the Company completed the issuance and sale to Nomura Securities International, Inc. of $138.0 million aggregate principal amount of its 6.25% Senior Convertible Notes due 2022 (the "Convertible Notes"), including $18.0 million aggregate principal amount of the Convertible Notes issued upon exercise of Nomura's over-allotment option, in a public offering. The net proceeds to the Company from the sale of the Convertible Notes, after deducting the underwriter's discounts and commissions and estimated offering expenses, is approximately $127.3 million .

The Convertible Notes were issued at 96% of the principal amount, bear interest at a rate equal to 6.25% per year, payable semi-annually in arrears on January 15 and July 15 of each year, commencing July 15, 2017, and are expected to mature on January 15, 2022, unless earlier converted or repurchased. The Company does not have the right to redeem the Convertible Notes prior to maturity and no sinking fund is provided for the Convertible Notes. Holders of the Convertible Notes will be permitted to convert their Convertible Notes into shares of the Company's common stock at any time prior to the close of business on the business day immediately proceeding January 15, 2022 . The conversion rate for the Convertible Notes, which is subject to adjustment upon the occurrence of certain specified events, initially equals 142.7144 shares of the Company’s common stock per $1,000 principal amount of Convertible Notes, which is equivalent to a conversion price of approximately $7.01 per share of the Company’s common stock, based on a $1,000 principal amount of the Convertible Notes.

Schedule IV - Mortgage Loans on Real Estate
(dollar amounts in thousands)

December 31, 2016

Asset Type	Number of Loans	Interest Rate	Maturity Date	Carrying Value	Principal Amount of Loans Subject to Delinquent Principal or Interest
Distressed residential mortgage loans					
First mortgage loans					
Original loan amount $0 - $99,999	2,999	1.01% - 14.99%	8/18/2007 - 5/1/2062	$ 142,652	$ 21,783
Original loan amount $100,000 - $199,999	1,484	1.75% - 12.85%	11/1/2009 - 1/1/2057	160,433	24,407
Original loan amount $200,000 - $299,999	457	0.00% - 12.04%	9/15/2016 - 8/1/2061	84,261	13,810
Original loan amount over $299,999	335	0.75% - 10.46%	4/1/2020 - 7/1/2057	115,748	20,868
Residential mortgage loans held in securitization trusts					
First mortgage loans					
Original loan amount $0 - $99,999	11	3.13% - 3.63%	10/1/2034 - 8/1/2035	662	—
Original loan amount $100,000 - $199,999	65	2.75% - 4.25%	10/1/2034 - 1/1/2036	7,646	525
Original loan amount $200,000 - $299,999	76	2.88% - 5.25%	8/1/2032 - 12/1/2035	14,739	2,211
Original loan amount $300,000 - $399,999	44	1.75% - 4.13%	8/1/2033 - 1/1/2036	11,821	1,079
Original loan amount $400,000 - $499,999	28	2.38% - 3.75%	8/1/2033 - 12/1/2035	9,785	1,261
Original loan amount over $499,999	63	1.63% - 3.88%	8/1/2033 - 12/1/2035	50,492	13,341
Other mortgage loans					
Residential and commercial first mortgage loans	47	2.63% - 15.00%	12/15/2013 - 10/1/2046	9,607	1,760
Residential second mortgage loans	259	5.88% - 9.00%	11/1/2030 - 1/1/2047	17,769	—
Multi-family loans					
First mortgage loans	376	3.04% - 6.18%	1/1/2017 - 8/1/2023	6,939,844	—
				$ 7,565,459	$ 101,045

Reconciliation of Balance Sheet Reported Amounts of Mortgage Loans on Real Estate

	For the year ended December 31,		
(in thousands)	**2016**	**2015**	**2014**
Beginning balance	$ 7,792,422	$ 9,107,248	$ 8,543,904
Additions during period:			
Purchases	82,167	156,952	405,427
Accretion of purchase discount	32,688	39,537	18,704
Deconsolidation	—	1,483	—
Change in realized and unrealized gains (losses)	10,794	—	390,370
Deductions during period:			
Repayments of principal	(175,216)	(130,651)	(100,689)
Collection of interest	(32,928)	(36,344)	(18,478)
Transfer to REO	(8,892)	(2,829)	(2,380)
Cost of mortgages sold	(96,344)	(1,241,266)	(75,610)
Provision for loan loss	847	(1,363)	(1,881)
Change in realized and unrealized gains (losses)	—	(59,262)	—
Amortization of premium	(40,079)	(41,083)	(52,119)
Balance at end of period	$ 7,565,459	$ 7,792,422	$ 9,107,248

EXHIBIT INDEX

Exhibits: The exhibits required by Item 601 of Regulation S-K are listed below. Management contracts or compensatory plans are filed as Exhibits 10.7 through 10.15.

Exhibit	Description
2.1	Membership Purchase Agreement, by and among Donlon Family LLC, JMP Investment Holdings LLC, Hypotheca Capital, LLC, RiverBanc LLC and the Company, dated May 3, 2016 (Incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on From 10-Q filed with the Securities and Exchange Commission on May 5, 2016).
3.1	Articles of Amendment and Restatement of the Company, as amended (Incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 10, 2014).
3.2	Bylaws of the Company, as amended (Incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 4, 2011).
3.3	Articles Supplementary designating the Company's 7.75% Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock") (Incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form 8-A filed with the Securities and Exchange Commission on May 31, 2013).
3.4	Articles Supplementary classifying and designating 2,550,000 additional shares of the Series B Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 20, 2015).
3.5	Articles Supplementary classifying and designating the Company's 7.875% Series C Cumulative Redeemable Preferred Stock (the "Series C Preferred Stock") (Incorporated by reference to Exhibit 3.5 to the Company's Registration Statement on Form 8-A filed with the Securities and Exchange Commission on April 21, 2015).
4.1	Form of Common Stock Certificate (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-11 (Registration No. 333-111668) filed with the Securities and Exchange Commission on June 18, 2004).
4.2	Form of Certificate representing the Series B Preferred Stock Certificate (Incorporated by reference to Exhibit 3.4 to the Company's Registration Statement on Form 8-A filed with the Securities and Exchange Commission on May 31, 2013).
4.3	Form of Certificate representing the Series C Preferred Stock (Incorporated by reference to Exhibit 3.6 to the Company's Registration Statement on Form 8-A filed with the Securities and Exchange Commission on April 21, 2015).
4.4(a)	Junior Subordinated Indenture between The New York Mortgage Company, LLC and JPMorgan Chase Bank, National Association, as trustee, dated September 1, 2005. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 6, 2005).
4.4(b)	Amended and Restated Trust Agreement among The New York Mortgage Company, LLC, JPMorgan Chase Bank, National Association, Chase Bank USA, National Association and the Administrative Trustees named therein, dated September 1, 2005. (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 6, 2005).
4.4(c)	Parent Guarantee Agreement between the Company and JPMorgan Chase Bank, National Association, as guarantee trustee, dated September 1, 2005. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 6, 2005).

4.5(a)	Junior Subordinated Indenture between The New York Mortgage Company, LLC and JPMorgan Chase Bank, National Association, as trustee, dated March 15, 2005 (Incorporated by reference to Exhibit 4.3(a) to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 9, 2012).
4.5(b)	Parent Guarantee Agreement between the Company and JPMorgan Chase Bank, National Association, as guarantee trustee, dated March 15, 2005. (Incorporated by reference to Exhibit 4.3(b) to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 9, 2012).
4.6	Parent Guarantee Agreement by the Company for the benefit of the Federal Home Loan Bank of Indianapolis, dated April 1, 2015 (Incorporated by reference to Exhibit 4.3(d) to the Company Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 7, 2015).
4.7	Indenture, dated April 15, 2016, by and between NYMT Residential 2016-RP1, LLC and U.S. Bank National Association (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 19, 2016).
4.8	Indenture, dated January 23, 2017, between the Company and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 23, 2017).
4.9	First Supplemental Indenture, dated January 23, 2017, between the Company and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 23, 2017).
4.10	Form of 6.25% Senior Convertible Notes Due 2022 of the Company (Incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 23, 2017).
	Certain instruments defining the rights of holders of long-term debt securities of the Company and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Company hereby undertakes to furnish to the Securities and Exchange Commisssion, upon request, copies of any such instruments.
10.1	Investment Management Agreement, by and between the Company and The Midway Group, LP dated as of February 11, 2011 (Incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 5, 2011).
10.2	First Amendment to Investment Management Agreement by and between the Company and The Midway Group, L.P., dated March 9, 2012 (Incorporated by reference to Exhibit 10.19 to the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 12, 2012).
10.3	Second Amendment to Investment Management Agreement by and between the Company and The Midway Group, L.P., dated April 1, 2014 (Incorporated by reference to Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 7, 2014).
10.4	Amended and Restated Management Agreement, by and between RB Commercial Mortgage LLC, the Company and RiverBanc, LLC, dated as of March 13, 2013 (Incorporated by reference to Exhibit 10.7 to the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 18, 2013).
10.5	Waiver Letter to Certain Provisions of the Management Agreement among the Company, RB Commercial Mortgage LLC and RiverBanc LLC, dated as of June 30, 2015 (Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 6, 2015).
10.6	Advances, Pledge and Security Agreement, dated March 23, 2015, between Great Lakes Insurance Holdings LLC and the Federal Home Loan Bank of Indianapolis (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 7, 2015).
10.7	The Company's 2010 Stock Incentive Plan (Incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 17, 2010).

10.8	The Company's 2013 Incentive Compensation Plan (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 26, 2013).
10.9	The Company's 2013 Incentive Compensation Plan (effective for fiscal year 2015) (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed with the Securities and Exchange Commission on May 29, 2015).
10.10	Form of Restricted Stock Award Agreement for Officers (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 14, 2009).
10.11	Form of Restricted Stock Award Agreement for Directors (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 14, 2009).
10.12	Performance Share Award Agreement between Steven R. Mumma and the Company, dated as of May 28, 2015 (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on May 29, 2015).
10.13	Second Amended and Restated Employment Agreement, by and between the Company and Steven R. Mumma, dated as of November 3, 2014 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 6, 2014).
10.14	Employment Agreement of Kevin Donlon, dated May 16, 2016, by and between the Company and Kevin Donlon (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 16, 2016).
10.15	Employment Contract, dated May 26, 2015, by and between RiverBanc LLC and Douglas Neal (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 5, 2016).
10.16	Equity Distribution Agreement, dated March 20, 2015, by and between the Company and JMP Securities LLC (Incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 20, 2015).
10.17	Amendment No. 1 to Equity Distribution Agreement, dated August 25, 2016, by and between the Company and JMP Securities LLC (Incorporated by reference to Exhibit 1.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 25, 2016).
10.18	Equity Distribution Agreement, dated March 20, 2015, by and between the Company and MLV & Co. LLC. (Incorporated by reference to Exhibit 1.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 20, 2015).
10.19	Equity Distribution Agreement, dated August 25, 2016, by and between the Company and Ladenburg Thalmann & Co. Inc. (Incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 25, 2016).
10.20	Underwriting Agreement, dated as of April 15, 2015, by and among the Company, Morgan Stanley & Co. LLC, UBS Securities LLC and Keefe, Bruyette & Woods, Inc. (Incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 21, 2015).
10.21	Underwriting Agreement, dated as of January 23, 2017, by and among the Company and Nomura Securities International, Inc. (Incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 23, 2017).
12.1	Statement re: Computation of Ratios.*

21.1	List of Subsidiaries of the Registrant.*
23.1	Consent of Independent Registered Public Accounting Firm (Grant Thornton LLP).*
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
101.INS	XBRL Instance Document ***
101.SCH	Taxonomy Extension Schema Document ***
101.CAL	Taxonomy Extension Calculation Linkbase Document ***
101.DE XBRL	Taxonomy Extension Definition Linkbase Document ***
101.LAB	Taxonomy Extension Label Linkbase Document ***
101.PRE	Taxonomy Extension Presentation Linkbase Document ***

* Filed herewith.

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

*** Submitted electronically herewith. Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at December 31, 2016 and 2015 ; (ii) Consolidated Statements of Operations for the years ended December 31, 2016 , 2015 and 2014 ; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2016 , 2015 and 2014 ; (iv) Consolidated Statements of Changes in Stockholders’ Equity for the years ended December 31, 2016 , 2015 and 2014 ; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2016 , 2015 and 2014 ; and (vi) Notes to Consolidated Financial Statements.

Exhibit 12.1

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

	For the Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
Earnings:					
Pretax income from operations	$ 70,655	$ 82,548	$ 142,586	$ 69,694	$ 29,100
Fixed charges [1]	32,115	27,680	25,094	20,949	8,894
Income from unconsolidated entities	(13,055)	(7,865)	(4,562)	(2,297)	(622)
Distributions of income from unconsolidated entities	7,509	5,392	2,238	2,112	584
Noncontrolling interest	(9)	—	—	—	97
Total Earnings	$ 97,215	$ 107,755	$ 165,356	$ 90,458	$ 38,053
Fixed Charges:					
Interest expense [1]	$ 32,115	$ 27,680	$ 25,094	$ 20,949	$ 8,894
Total Fixed Charges	32,115	27,680	25,094	20,949	8,894
Preferred stock dividends	12,900	10,990	5,812	3,568	—
Total Combined Fixed Charges and Preferred Stock Dividends	$ 45,015	$ 38,670	$ 30,906	$ 24,517	$ 8,894
Ratio of earnings to fixed charges	3.03	3.89	6.59	4.32	4.28
Ratio of earnings to combined fixed charges and preferred stock dividends	2.16	2.79	5.35	3.69	4.28
Deficiency related to ratio of earnings to fixed charges	NA	NA	NA	NA	NA
Deficiency related to ratio of earnings to combined fixed charges and preferred stock dividends	NA	NA	NA	NA	NA

(1) Excludes interest expense on multi-family collateralized debt obligations of the Consolidated K-Series, which we are required to consolidate in our financial statements under generally accepted accounting principles. We do not have any claims to the assets (other than the securities represented by our first loss pieces) or obligations for the liabilities of the Consolidated K-Series.

Exhibit 21.1

List of Significant Subsidiaries

Name	State of Incorporation	Names under which it does Business
Hypotheca Capital, LLC (formerly known as The New York Mortgage Company, LLC)	New York	n/a
New York Mortgage Funding, LLC	Delaware	n/a
New York Mortgage Trust 2005-1	Delaware	n/a
New York Mortgage Trust 2005-2	Delaware	n/a
New York Mortgage Trust 2005-3	Delaware	n/a
NYMT Commercial LLC	Delaware	n/a
Great Lakes Insurance Holdings, LLC	Michigan	n/a
NYMT-Midway LLC	Delaware	n/a
NYMT Residential, LLC	Delaware	n/a
NYMT Loan Financing, LLC	Delaware	n/a
RB Commercial Mortgage LLC	Delaware	n/a

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated February 28, 2017, with respect to the consolidated financial statements, schedule, and internal control over financial reporting included in the Annual Report of New York Mortgage Trust, Inc. on Form 10-K for the year ended December 31, 2016. We consent to the incorporation by reference of said reports in the Registration Statements of New York Mortgage Trust, Inc. on Form S-3 ASR (File No. 333-213316 effective August 25, 2016), Form S-3 (File No. 333-186016 effective January 14, 2013) and on Form S-8 (File No. 333-167609 effective June 17, 2010).

/s/ Grant Thornton LLP

New York, New York
February 28, 2017

Exhibit 31.1

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

I, Steven R. Mumma, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2016 of New York Mortgage Trust, Inc.;

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

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

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

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

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: February 28, 2017

/s/ Steven R. Mumma

Steven R. Mumma
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Kristine R. Nario, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2016 of New York Mortgage Trust, Inc.;

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

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

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

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

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

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

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

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: February 28, 2017

/s/ Kristine R. Nario

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

Exhibit 32.1

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

In connection with the Annual Report of New York Mortgage Trust, Inc., (the "Company") on Form 10-K for the year ended December 31, 2016 , as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: February 28, 2017

/s/ Steven R. Mumma

Steven R. Mumma
Chairman of the Board and Chief Executive Officer (Principal Executive Officer)

Date: February 28, 2017

/s/ Kristine R. Nario

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