NEW YORK MORTGAGE TRUST INC
Form 10-K
April 02, 2007

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2006

£ **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.)*

1301 Avenue of the Americas, New York, New York 10019
(Address of principal executive office) (Zip Code)
(Registrant's telephone number, including area code)
(212) 792-0107
Securities registered pursuant to Section 12(b) of the Act:

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

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

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 R

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 R No £

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

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

Large Accelerated Filer £ Accelerated Filer R Non-Accelerated Filer £

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

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2006 was approximately $58.8 million based on the closing price on such date of the registrant's common stock as reported by the New York Stock Exchange Composite Transactions.

The number of shares of the Registrant's Common Stock outstanding on March 15, 2007 was 18,077,880.

DOCUMENTS INCORPORATED BY REFERENCE

Document	**Where Incorporated**
1. Proxy Statement for Annual Meeting of Stockholders to be held on June 14, 2007, to be filed with the Securities and Exchange Commission	**Part III**

NEW YORK MORTGAGE TRUST, INC.

FORM 10-K

For the Fiscal Year Ended December 31, 2006

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PART I

Item 1. *BUSINESS*

General

New York Mortgage Trust, Inc. together with its consolidated subsidiaries ("NYMT", the "Company", "we", "our", and "us") is a self-advised residential mortgage finance company that acquires and invests in adjustable rate mortgage ("ARM") assets. We earn net interest income from residential mortgage-backed securities and adjustable-rate mortgage loans and securities. Until March 31, 2007, the Company originated mortgages throught its wholly-owned subsidiary, The New York Mortgage Company, LLC ("NYMC"). In this discontinued operation, we earned gain on sale income and net interest income by originating a variety of residential mortgage loan products. This discontinued operation also originated residential mortgage loans as a broker for the purpose of obtaining broker fee income.

As of December 31, 2006, we had approximately $1.32 billion of total assets as compared to $1.79 billion at December 31, 2005 (see our consolidated financial statements and related notes beginning on page F-1).

Recent Events - Sale of Mortgage Lending Business and Change in Our Business Strategy

On February 7, 2007, we announced that, as a part of our previously announced exploration of strategic alternatives for the Company, we had entered into a definitive agreement to sell substantially all of the retail mortgage lending platform of NYMC to IndyMac Bank, F.S.B., ("Indymac"), a wholly owned subsidiary of Indymac Bancorp, Inc, for an estimated purchase price of $13.5 million in cash and the assumption of certain of our liabilities by Indymac. On March 31, 2007, Indymac purchased substantially all of the operating assets related to NYMC's retail mortgage lending platform, including, among other things, assuming leases held by NYMC for approximately 20 full service and approximately 10 satellite retail mortgage lending offices (excluding the lease for the Company's corporate headquarters, which is being assigned, as previously announced, under a separate agreement to Lehman Brothers Holding, Inc.), the tangible personal property located in those approximately 30 retail mortgage banking offices, NYMC's pipeline of residential mortgage loan applications (the "Pipeline Loans"), escrowed deposits related to the Pipeline Loans, customer lists and intellectual property and information technology systems used by NYMC in the conduct of its retail mortgage banking platform. Indymac assumed the obligations of NYMC under the Pipeline Loans and substantially all of NYMC's liabilities under the purchased contracts and purchased assets arising after the closing date. Indymac has also agreed to pay (i) the first $500,000 in severance expenses with respect to "transferred employees" (as defined in the asset purchase agreement filed as Exhibit 10.62 to this Annual Report on Form 10-K) and (ii) severance expenses in excess of $1.1 million arising after the closing with respect to transferred employees. As part of the Indymac transaction, the Company has agreed, for a period of 18 months, not to compete with Indymac other than in the purchase, sale, or retention of mortgage loans. Indymac has hired substantially all of our branch employees and loan officers and a majority of NYMC employees based out of our corporate headquarters. As of April 1, 2007, the Company has approximately 40 employees.

On February 14, 2007, we entered into a definitive agreement with Tribeca Lending Corp., a subsidiary of Franklin Credit Management Corporation ("Tribeca Lending") to sell our wholesale lending business for an estimated purchase price of $485,000. This transaction closed on February 22, 2007. Together, the closing of the sale of our retail mortgage banking platform to Indymac and the sale of our wholesale lending business to Tribeca Lending has resulted in gross proceeds to NYMT of approximately $14.0 million before fees and expenses, and before deduction of approximately $2.3 million, which will be held in escrow to support warranties and indemnifications provided to Indymac by NYMC as well as other purchase price adjustments. NYMC will record a one time taxable gain on the sale of these assets. NYMC's deferred tax asset will absorb any taxable gain from the sale.

We expect to redeploy the net proceeds from the sale of our retail mortgage banking platform in high quality mortgage loan securities. We will liquidate the remaining inventory of loans held for sale in the ordinary course of business. Our Board of Directors, together with our management, will continue to consider strategic options for NYMT, including a possible sale or merger or raising capital under a passive REIT business model.

We believe that the disposition of our mortgage lending business will allow us to meet the following business objectives:

- reduce, and ultimately eliminate, our taxable REIT subsidiary's operating losses;
- enable NYMC to retain the economic value of its accumulated net operating losses;
- increase NYMT's investable capital and financial flexibility;

· lower NYMT's executive management compensation expenses;

· significantly reduce our potential severance obligations; and

· enable our management to focus on our mortgage portfolio management operations, which consisted of a $1.1 billion portfolio of investment securities as of December 31, 2006.

Upon consummation of the transaction with Indymac on March 31, 2007, Steven B. Schnall, our Chairman, President and Co-Chief Executive Officer, and Joseph V. Fierro, the Chief Operating Officer of NYMC, resigned from their executive positions with us and assumed roles with Indymac. Concurrent with Mr. Schnall's resignation, Steven R. Mumma, presently our Chief Financial Officer, will also assume the roles of President and Co-Chief Executive Officer. Mr. Schnall continues to serve our Board of Directors as its non-executive Chairman, and David A. Akre continues to serve as Vice Chairman and Co-Chief Executive Officer.

In connection with the sale of our wholesale mortgage origination platform assets on February 22, 2007 and the transaction with Indymac, during the fourth quarter of 2006, we classified substantially all of the assets, liabilities and operations of our Mortgage Lending segment as a discontinued operation in accordance with the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). As a result, we have reported revenues and expenses related to the segment as a discontinued operation and the related assets and liabilities as assets and liabilities related to a discontinued operation for all periods presented in the accompanying consolidated financial statements. Certain assets, such as the deferred tax asset, and certain liabilities, such as subordinated debt and liabilities related to leased facilities not assigned to Indymac will become part of the ongoing operations of NYMT and accordingly, we have not classified as a discontinued in accordance with the provisions of SFAS No. 144. See Note 12 in the notes of our consolidated financial statements.

Following our exit from the mortgage lending business, we will exclusively focus our resources and efforts on the business that we refer to as our Mortgage Portfolio Management segment, which will primarily involve investing, on a leveraged basis, in residential mortgage backed securities, and our revenues will be derived primarily from the difference between the interest income we earn on our mortgage assets and the costs of our borrowings (net of hedging expenses). Because the mortgage lending business represented a significant part of our operations, our historic operations (since completion of our initial public offering) may not be necessarily comparable to our financial operations following consummation of the transactions described above.

Our Mortgage Portfolio Management Business

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

· earning net interest spread between the yield of mortgage assets we own and the cost to finance such assets;

- focusing on purchasing high credit quality residential mortgage loans through third parties that we believe can be retained in our portfolio;

- using hedging instruments to better match asset and liability durations;
- leveraging our portfolio to increase its size with the intent to enhance our returns while at the same time managing the increased risk of loss associated with this leverage; and
- utilizing hedging strategies that we consider appropriate to minimize exposure to interest rate changes.

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

Our Mortgage Lending Business (Discontinued Operation)

Until March 31, 2007, we originated mortgage loans through NYMC. Licensed or exempt from licensing in 44 states and the District of Columbia and through a network of 25 full service branch loan origination locations and 22 satellite loan origination locations that were licensed or pending state license approval as of December 31, 2006, NYMC offered a broad range of residential mortgage products, with a primary focus on prime, or high credit quality, residential mortgage loans. We sell the fixed-rate loans that we originated to third parties and retain and either finance in our portfolio selected adjustable-rate and hybrid mortgage loans that we originated or we sell them to third parties. As of March 2006, we began to sell all loans originated by NYMC in an effort to increase gain on sale revenue in current periods due to decreased spreads available by holding the loans in portfolio. Our portfolio of loans is held at the real estate investment trust (“REIT”) level or by a qualified REIT subsidiary (“QRS”). We relied on our own underwriting criteria with respect to the mortgage loans we retained and relied on the underwriting criteria of the institutions to which we sell our loans with respect to the loans we intend to sell. In either case, we directly performed the underwriting of such loans with our own experienced underwriters.

Our Tax Status

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

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

Access to our Periodic SEC Reports and Other Corporate Information

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

Corporate Governance

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

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

- We have adopted a Code of Business Conduct and Ethics and Corporate Governance Guidelines that apply to all officers, directors and employees (as well as a supplemental Code of Ethics for Senior Financial Officers) to promote the highest standard of conduct and ethics in our dealings with our customers, stockholders, vendors, the public and our employees.

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

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

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

Company History

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

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

Our Industry

With the closing of the transaction under which we sold substantially all of the assets of the retail mortgage lending platform to Indymac, we are now principally a residential portfolio manager. Our portfolio is comprised of residential adjustable rate mortgage loans and securities. As of December 31, 2006 approximately 98% of our assets are rated either “AA” or “AAA” by either Standard & Poor’s or Moody’s, or are obligations issued by either Fannie Mae or Freddie Mac. Besides continuing to manage our existing portfolio, our future strategy will most likely involve the purchase or high quality residential mortgage loans in bulk, and the securitization of same.

Operating Policies, Strategies and Business Segments

Until March 31, 2007, the Company operated two segments, the Mortgage Portfolio Management segment and the Mortgage Lending segment. Upon the sale of substantially all of its mortgage lending operating assets to Indymac as of March 31, 2007, the Company exited the mortgage lending business and accordingly will no longer report segment information.

Mortgage Portfolio Management

Prior to the completion of our IPO on June 29, 2004, our operations were limited to the mortgage operations described in the section below entitled "Mortgage Lending." Beginning in July 2004, we began to implement our business plan of investing in high quality, adjustable rate mortgage loan securities. Our portfolio management strategy is to acquire ARM Assets from third parties to hold in our portfolio, fund them using equity capital and borrowings and to generate net interest income from the difference, or net spread, between the yield on these assets and our cost of financing. Prior to March 2006, we invested in ARM Assets originated by NYMC, but have since ceased this activity in an effort to increase gain on sale revenue due to a reduction in spreads available by holding loans in portfolio. In order to accomplish this, our:

- Acquired ARM Assets are replaced with high-quality mortgage securities ARM loans acquired from third parties, (and in the past acquired ARM Assets were replaced with ARM loans originated by NYMC).

- Mortgage portfolio management operates with a long-term investment outlook.

- Short-term financing of ARM loans to be securitized is provided by secured warehouse and aggregation lines.

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

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

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

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

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

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

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

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

To achieve our portfolio strategy and mitigate risk, we:

- attempt to maintain a net duration, or duration gap, of one year or less on our ARM portfolio, related borrowings and hedging instruments;
- structure our liabilities to mitigate potential negative effects of changes in the relationship between short- and longer-term interest rates;
- focus on holding ARM loans rather than fixed-rate loans, as we believe we will be adversely affected to a lesser extent by early repayments due to falling interest rates or a reduction in our net interest income due to rising interest rates.

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

- the purchase and sale of agency and private label mortgage-backed securities, subject to the limitations described above;
- securitizations of our mortgage loan portfolio;
- the purchase and sale of agency debt;
- the purchase and sale of U.S. Treasury securities;
- the purchase and sale of overnight investments;
- the purchase and sale of money market funds;
- hedging arrangements using:
- interest rate swaps and Eurodollar contracts;
- caps, floors and collars;

· financial futures; and

· options on any of the above; and

· the incurrence of indebtedness using:

· repurchase agreements;

· bank loans, up to an aggregate of $100 million; and

· term repurchase agreements.

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

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

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

Mortgage Lending (Discontinued Operation)

The origination of mortgage loans through NYMC has a significant impact on our financial results in that:

· Loans we originate and sell generate gain on sale income at the TRS.

· Certain ARM loans may be held in portfolio rather than be sold, thus reducing current period gain on sale income.

· A majority of the Company’s overhead is associated with the mortgage lending segment.

· Any early payment defaults and resulting loss in 2006 will come from our mortgage lending segment

Until March 31, 2007, through NYMC, we originated primarily first mortgages on one-to-four family dwellings through our retail loan production offices and supplemented this origination production through our internet channel (www.MortgageLine.com). On February 22, 2007 we closed an asset sale transaction with Tribeca Lending for our wholesale origination business, and as of that date, no longer originate loans in a wholesale capacity. As of March 31, 2007, we closed an asset sale transaction with Indymac for substantially all of the operating assets of the Company’s mortgage lending business and as of that date exited the mortgage lending business.

The following table details the payment stream, loan purpose and documentation type of our mortgage loan originations for the year ended December 31, 2006:

MORTGAGE LOAN ORIGINATION SUMMARY
For the fiscal year ended December 31, 2006

	Number of Loans		Dollar Value (in thousands)	% of Total
Payment Stream				
Fixed Rate				
FHA/VA	477	$	78,899	3.1%
Conventional:				
Conforming	5,942		1,044,537	41.1%
Conventional Jumbo	505		318,346	12.5%
Total Fixed Rate	6,924	$	1,441,782	56.7%
ARMs				
FHA/VA	12	$	3,423	0.1%
Conventional	3,386		1,098,798	43.2%
Total ARMs	3,398		1,102,221	43.3%
Annual Total	10,322	$	2,544,003	100.0%
Loan Purpose				
Conventional	9,833	$	2,461,681	96.8%
FHA/VA	489		82,322	3.2%
Total	10,322	$	2,544,003	100.0%
Documentation Type				
Full Documentation	5,317	$	1,265,453	49.7%
Stated Income	2,167		610,235	24.0%
Stated Income/Stated Assets	1,259		293,454	11.5%
No Documentation	925		231,244	9.1%
No Ratio	445		101,868	4.0%
Stated Assets	15		2,329	0.1%
Other	194		39,420	1.6%
Total	10,322	$	2,544,003	100.00%

Retail Loan Origination

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

Because we are predominately referral-based, our cost of sourcing potential retail clients, we believe, is less than an organization that relies heavily on concentrated broadcast, print or internet media advertising. By eliminating intermediaries between the borrower and us, we can both originate high quality mortgage loans for retention in our portfolio at attractive yields or offer loans that may be sold to third parties, while at the same time offering our customers a variety of mortgage products at competitive rates and fees.

On March 31, 2007, we closed an asset sale transaction with Indymac for substantially all of the operating assets of our retail mortgage lending business and as of that date we have exited the mortgage lending business.

Wholesale Loan Origination

Our wholesale lending strategy has historically been a small component of our loan origination operations. Our wholesale lending business was driven by a network of non-affiliated wholesale loan brokers and mortgage lenders who submitted loans to us. We maintained relationships with these wholesale brokers and, as with retail loan originations, underwrote, processed, and funded wholesale loans through our centralized facilities and processing systems. In order to further diversify our origination network, during 2005, we expanded our wholesale loan origination capacity with the creation of a division specifically for wholesale loan originations.

On February 22, 2007, we closed an asset sale transaction with Tribeca Lending for our wholesale origination business, and as of that date, no longer originate loans in a wholesale capacity.

Correspondent Lending

Until March 31, 2007, through our correspondent lending channels, from time to time we acquired bulk mortgage loan packages from Company-approved correspondent lenders. To date these purchases have been to supplement loans put into our securitizations. We reviewed our correspondents for the soundness of their in-house mortgage lending procedures and their ability to fulfill their representations and warranties to us. Generally, loans acquired from correspondents were originated according to the correspondents' product specifications and underwriting guidelines that we have approved and accepted.

A full loan collateral review of each loan file, was performed to assess note and mortgage documentation sufficiency and compliance, to verify product quality and compliance with our investment guidelines, we performed a full review of substantially all moderate to high credit risk loans.

Underwriting

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

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

Until March 31, 2007 when the Company exited the mortgage lending business, they Company followed the underwriting guidelines established by available purchasers with respect to the loans we intend to sell. Furthermore, for mortgage loans we have retained in the past, the Company followed a specific underwriting methodology based on the following philosophy — first evaluate the borrower's ability and willingness to repay the loan, and then evaluate the value of the property securing the loan. Our strategy has been to only retain mortgage loans that we believed had low risk of default and resultant loss. As underwriting basically seeks to predict future borrower payment patterns and ability based on the borrower's history and current financial information and the lender's ability to be made whole in the future through foreclosure in the event a default does occur, no assurance can be made that every loan originated or purchased will perform as anticipated. In March 2006, we ceased our practice of retaining loans originated by NYMC to hold in our portfolio and as of March 31, 2007 we exited the mortgage lending business.

The key aspects of our underwriting guidelines were as follows:

Borrower—In evaluating the borrower's ability and willingness to repay a loan, we reviewed and analyzed the following aspects of the borrower: credit score, income and its source, employment history, debt levels in revolving, installment and other mortgage loans, credit history and use of credit in the past, and finally the ability and/or willingness to provide verification for the above. Credit scores, credit history, use of credit in the past and information as to debt levels can be typically obtained from a third party credit report through a credit repository. Those sources were used in all cases, as available. In certain cases, borrowers had little or no credit history that can be tracked by one of the primary credit repositories. In these cases, the reason for the lack of history was considered and taken into account. In our experience, more than 95% of prospective borrowers have accessible credit histories. In other cases borrowers are not required, per the loan program, to provide proof of either their stated incomes and or stated assets as found on their mortgage applications. These loan types can make assessment of the borrower's credit profile more difficult.

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

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

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

Our Loan Origination Financing Strategy

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

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

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

As of December 31, 2006 we had a $250 million warehouse facility with Greenwich Capital Financial Products, Inc, a $200 million warehouse facility with Credit Suisse First Boston Mortgage Capital, LLC, and a $300 million master repurchase agreement with Deutsche Bank Structured Products, Inc. The Deutsche Bank facility became operational in January 2006 and has expired on March 26, 2007. The Greenwich Capital facility has expired as of February 4, 2007.

Loan Servicing

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

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

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

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- our business strategy;
- the potential consummation of the disposition of each of our retail and wholesale mortgage lending businesses;
- our consideration of strategic options, including the possible sale or merger of NYMT or raising capital under a passive REIT business model;
- future performance, developments, market forecasts or projected dividends; and
- projected capital expenditures.

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

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

- our proposed portfolio strategy may be changed or modified by our management without advance notice to stockholders, and that we may suffer losses as a result of such modifications or changes;
- risks associated with the availability of liquidity;
- risks associated with the use of leverage;
- risks associated with non-performing assets;
- interest rate mismatches between our mortgage-backed securities and our borrowings used to fund such purchases;
- changes in interest rates and mortgage prepayment rates;
- effects of interest rate caps on our adjustable-rate mortgage-backed securities;
- the degree to which our hedging strategies may or may not protect us from interest rate volatility;

· potential impacts of our leveraging policies on our net income and cash available for distribution;

· our board’s ability to change our operating policies and strategies without notice to you or stockholder approval;

· the other important factors described in this Annual Report on Form 10-K, including those under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Risk Factors," and "Quantitative and Qualitative Disclosures about Market Risk."

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the events described by our forward-looking events might not occur. We qualify any and all of our forward-looking statements by these cautionary factors. In addition, you should carefully review the risk factors described in other documents we file from time to time with the Securities and Exchange Commission, including the Company's registration statement on Form S-3 (File No. 333-127400).

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

Competition

When we invest in mortgage-backed securities, mortgage loans and other investment assets, we compete with a variety of institutional investors, including other REITs, insurance companies, mutual funds, hedge funds, pension funds, investment banking firms, banks and other financial institutions that invest in the same types of assets. As we seek to expand our business, we face a greater number of competitors, many of whom are well-established in the markets we seek to penetrate. Many of these investors have greater financial resources and access to lower costs of capital than we do. The existence of these competitive entities, as well as the possibility of additional entities forming in the future, may increase the competition for the acquisition of mortgage assets, resulting in higher prices and lower yields on assets.

Personnel

As of December 31, 2006, we employed 616 people. Of this number, 327 were loan officers dedicated to originating loans.

As part of the sale of the wholesale lending business, Tribeca Lending hired approximately 62 employees.

Upon the sale of the retail mortgage lending platform and related assets to Indymac, substantially all retail mortgage lending related employees were hired by Indymac.

As of the completion of these two transactions, we will employ approximately 40 people.

Certain Federal Income Tax Considerations and Our Status as a REIT

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

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

Summary Requirements for Qualification

Organizational Requirements

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

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

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

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

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

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

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

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

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

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

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

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

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

Qualified REIT Assets

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

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

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

Gross Income Tests

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

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

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

Distributions

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

Item 1A. *RISK FACTORS*

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

Holding loans for sale or securitization requires a significant amount of cash or warehouse facility capacity which if not available, could cause our business and financial performance to be significantly harmed.

By holding loans pending sale or securitization, we may also require cash in the event our warehouse facilities elect to not fund the entire principal balance of our loans, or if our loans are financed past the permitted term under our warehouse lines, or decline in value, we may need cash to reduce our borrowings under the warehouse facilities to the permitted level. We also need cash to fund or satisfy, as the case may be, our working capital, financial covenants in our warehouse facilities and other needs. We finance the majority of the loans we hold for sale or securitization by borrowing from our warehouse facilities and pledging the loans made as collateral. If the value of the loans we pledge as collateral declines, we may need cash to offset any decline in value.

Our primary sources of cash consist of:

- borrowings, including under our warehouse facilities;
- our net interest income;
- the proceeds from the sale of our loans; and
- net proceeds from the sale of our securities.

It is possible that our warehouse lenders could experience changes in their ability to advance funds to us, independent of our performance or the performance of our loans. In addition, if the regulatory capital requirements imposed on our lenders change, our lenders may be required to increase significantly the cost of the lines of credit that they provide to us.

As of December 31, 2006, we financed substantially all of our loan originations through warehouse facilities. Each of these facilities may be terminated by the lender upon an event of default, subject in some cases to cure periods. As of December 31, 2006, the aggregate balance outstanding under these facilities was approximately $173.0 million. As of April 1, 2007, we have exited the mortgage lending business and accordingly have terminated two of our three warehouse facilities. If we are not able to renew this remaining warehouse facility or arrange for new financing on terms acceptable to us, or if we default on our covenants or are otherwise unable to access funds under this facility, we may not be able to continue to finance mortgage loans held for sale, which would have a material adverse effect on our business, financial condition, liquidity and results of operations. During the year ended December 31, 2006, we determined that we were not in compliance with certain of these financial covenants (primarily profitability and total net worth covenants). We received waivers from all lenders concerning such non-compliance. If we fail to comply with financial covenants in any of our warehouse facility in the future and are not able to cure the non-compliance or obtain the necessary waivers, this facility may be terminated by the lender.

We generally fund less than 100% of a loan balance with warehouse debt, requiring us to invest cash to the extent the originated balance is not funded by the warehouse facility. This funding shortfall ranges from 0% to 2% on loans financed under warehouse facilities. The longer loans remain funded by a warehouse facility the more our warehouse lenders require us to advance against the loans. In addition, our warehouse lenders will require us to have on deposit a cash margin against funded loans based upon the loan’s estimated market value.

The market for any senior or subordinate securities we issue through securitizations could become temporarily illiquid or trade at steep discounts, thereby reducing the cash flow we receive over time from our loans subject to the securities. In addition, our operating cash flow could be reduced if we sell more loans at a discount than at a premium or at lower premiums. Cash flows from principal repayments could be reduced should prepayments slow or should credit quality trends deteriorate (in the latter case since, for certain of our assets, credit tests must be met for us to receive cash flows).

In the event that our liquidity needs exceed our access to liquidity, we may need to sell assets at an inopportune time, thus reducing our earnings. Adverse cash flow could threaten our continued ability to satisfy the income and asset tests necessary to maintain our status as a REIT or our solvency.

Risks Related to Our Business and Our Company

Our common stock could be delisted by the New York Stock Exchange if we do not comply with its continued listing standards.

Our common stock is listed on the New York Stock Exchange, or NYSE. Under the NYSE’s current listing standards, we are required to have market capitalization or shareholders' equity of more than $25 million in order to maintain compliance with continued listing standards. As of March 28, 2007, our market capitalization was approximately $42.7 million. We cannot assure you that we can continue to comply with the listing procedures and that the NYSE will maintain our listing in the future. In the event that our common stock is delisted by the NYSE, or if it becomes apparent to us that we will be unable to meet the NYSE’s continued listing criteria in the foreseeable future, we will seek to have our stock listed or quoted on another national securities exchange or quotation system. However, we cannot assure you that, if our common stock is listed or quoted on such other exchange or system, the market for our common stock will be as liquid as it has been on the NYSE. As a result, if we are delisted by the NYSE or transfer our listing to another exchange or quotation system, the market price for our common stock may become more volatile than it has been historically.

Delisting of our common stock would likely cause a reduction in the liquidity of an investment in our common stock. Delisting also could reduce the ability of holders of our common stock to purchase or sell our securities as quickly and inexpensively as they would have been able to do had our common stock remained listed. This lack of liquidity also could make it more difficult for us to raise capital in the future.

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

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

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.

If we are limited in our ability to leverage our assets, the returns on our portfolio may be harmed. A key element of our strategy is our use of leverage to increase the size of our portfolio in an attempt to enhance our returns. As of December 31, 2006, our leverage ratio, defined as total financing facilities less subordinated debentures outstanding divided by total stockholders' equity plus subordinated debentures at December 31, 2006 was 10 to 1. Our repurchase agreements are not currently committed facilities, meaning that the counterparties to these agreements may at any time choose to restrict or eliminate our future access to the facilities and we have no other committed credit facilities through which we may leverage our equity. If we are unable to leverage our equity to the extent we currently anticipate, the returns on our portfolio could be diminished, which may limit or eliminate our ability to make distributions to our stockholders.

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

We currently leverage our equity through borrowings, generally through the use of repurchase agreements, bank credit facilities, securitizations, including the issuance of collateralized debt securities, which are obligations issued in multiple classes secured by an underlying portfolio of securities, and other borrowings. The amount of leverage we incur varies depending on our ability to obtain credit facilities 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 portfolio. Further, the leverage on our equity may exacerbate any losses we incur.

Our debt service payments will reduce the net income available for distributions 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 foreclosure or sale to satisfy our debt obligations. We currently leverage through repurchase agreements. A decrease in the value of the assets may lead to margin calls which we will have to satisfy. While we have experienced normal course of business margin calls primarily related to the changing interest rate environment, significant decreases in asset valuation could lead to increased margin calls. We may not have the funds available to satisfy any such margin calls. We have a target overall leverage amount of 8 to 12 times our equity, but 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.

Interest rate fluctuations may cause losses.

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

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

We have a limited operating history with respect to securitizing mortgage loans or managing a portfolio of mortgage securities and we may not be able to complete loan securitizations in the future on favorable terms, or at all, the result of which would have a material adverse effect on our results of operations and limit our ability to make cash available for distribution to our stockholders.

Historically, NYMC's business has consisted of the origination and sale of mortgage loans of all types, with a particular focus on prime adjustable- and fixed-rate, first lien, residential purchase mortgage loans. Our strategy includes building a leveraged portfolio of residential mortgage loans comprised of prime adjustable-rate mortgage loans, including hybrid adjustable-rate loans that have an initial fixed-rate period, and other qualifying loans or securities. We have a limited history with respect to securitizing mortgage loans or managing a portfolio of mortgage securities, having completed just four securitizations and having managed an investment portfolio of mortgages and mortgage securities commencing only after the completion of our initial public offering in June 2004. Our ability to complete securitizations in the future on favorable terms will depend upon a number of factors, including the experience and ability of our management team, conditions in the securities markets generally, conditions in the mortgage-backed securities market specifically, the performance of our portfolio of securitized loans and our ability to obtain leverage. In addition, poor performance of any pool of loans we do securitize could increase the expense of any subsequent securitization we bring to market. Accordingly, a decline in the securitization market or a change in the market's demand for our shares of common stock could have a material adverse effect on our results of operations, financial condition and business prospects. If we are unable to securitize efficiently the adjustable-rate and hybrid mortgage loans that we acquire, then our revenues for the duration of our investment in those loans would decline, which would lower our earnings for the time the loans remain in our portfolio. We cannot assure you that we will be able to complete loan securitizations in the future on favorable terms, or at all.

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

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

In addition, upward shifts in the U.S. Treasury yield curve, which represents the market's expectations of future interest rates, would generally cause investors to demand a higher yield on our mortgage-backed securities. Such events would affect our portfolio, financial position and results of operations in a manner similar to those described above.

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

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

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

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

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

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

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

Our directors have approved broad investment guidelines for us and do not approve each investment we make.

Our board of directors has given us substantial discretion to invest in accordance with our broad investment guidelines. Our board of directors periodically reviews our investment guidelines and our portfolio. However, our board of directors does not review each proposed investment. In addition, in conducting periodic reviews, our directors rely primarily on information provided to them by our executive officers. Furthermore, transactions entered into by us may be difficult or impossible to unwind by the time they are reviewed by our directors. We have substantial discretion within our broad investment guidelines in determining the types of assets we may decide are proper investments for us.

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

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

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

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

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

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). 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 other than Mr. Schnall may own more than 9.4% in value of the outstanding shares of our capital stock. Our charter provides that Mr. Schnall may own up to 12.0% of our outstanding common stock. Our board of directors may grant an exemption from that ownership limit in its sole discretion, subject to such conditions, representations and undertakings as it may determine. This ownership limit 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.

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

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

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

- our bylaws provide that only our board of directors shall have the authority to amend our bylaws;

- under our charter, our board of directors has authority to issue preferred stock from time to time, in one or more series and to establish the terms, preferences;

- and rights of any such series, all without the approval of our stockholders;

- the Maryland Business Combination Act; and

· the Maryland Control Share Acquisition Act.

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

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

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

Tax Risks Related to Our Business and 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.

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

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, amounts distributed will not be available to fund investment activities. We expect to fund our investments generally through borrowings from financial institutions, along with securitization financings. If we fail to obtain debt or equity capital in the future, it could limit our ability to grow, which could have a material adverse effect on the value of our common stock.

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 shareholders that are individuals, trust and estates is 15% (through 2008). 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.

Risks Related to an Investment in Our Common Stock

Our common stock trades in a limited market which could hinder your ability to sell our common stock.

Our equity market capitalization places us at the low end of market capitalization among all public REITs. Our common stock experiences limited trading volume, and many investors may not be interested in owning our common stock because of the inability to acquire or sell a substantial block of our common stock at one time. This illiquidity could have an adverse effect on the market price of our common stock. A substantial sale, or series of sales, of our common stock could have a material adverse effect on the market price of our common stock.

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

The market price of our common stock may become highly volatile and subject to wide fluctuations. In addition, the trading volume in our common 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 common stock include, among other things: actual or anticipated changes in our current or future financial performance; changes in market interest rates and general market and economic conditions. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly.

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

None.

Item 2. ***PROPERTIES***

As of March 31, 2007, our principal executive and administrative offices are located at 1301 Avenue of the Americas, 7th floor, New York, New York 10019. On November 13, 2006, we entered into an Assignment and Assumption of Sublease with Lehman Brothers Holdings Inc. ("Lehman"). Under the agreement, we assigned the sublease for this space to Lehman. We intend to relocate our corporate headquarters to a smaller facility at a location that is yet to be determined.

Until March 31, 2007 we also operated retail loan origination sales offices at 47 (25 branches and 22 branch satellite) locations in 14 states. All of our facilities were leased. The aggregate annual rent for these locations was approximately $4.8 million. Upon consummation of the sale of our retail mortgage origination platform assets to Indymac, we assigned substantially all of the leases for the branch offices to Indymac.

Further details of our facilities are as follows:

Location	Business Activity	Business Segment
New York City	Corporate Headquarters and Mortgage Origination	Mortgage Portfolio Management and Mortgage Lending
Bridgewater, New Jersey(1)	Wholesale Lending	Mortgage Lending
Various-47 locations in 14 states(2)	Retail Mortgage Origination	Mortgage Lending

(1) This lease was assigned to and assumed by Tribeca Lending effective February 22, 2007 in connection with the sale of the wholesale mortgage origination platform described further in note 22 of the consolidated financial statements.

(2) Substantially all of these leases were assigned and assumed by Indymac effective March 31, 2007 in connection with the sale of substantially all of the operating assets of our retail mortgage lending platform described further in note 22 of the consolidated financial statements.

Item 3. ***LEGAL PROCEEDINGS***

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

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

None.

PART II

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

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

Our common stock is traded on the New York Stock Exchange under the trading symbol "NTR". As of March 15, 2007, we had 18,077,880 shares of common stock outstanding, and as of March 5, 2007, there were 87 holders of record. 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 on the NYSE and the cash dividends paid or payable per share of common stock.

	Common Stock Prices			Cash Dividends		
	High	Low	Close	Declared	Paid or Payable	Amount per Share
Year Ended December 31, 2006						
Fourth quarter	$ 4.04	$ 2.60	$ 3.05	12/18/06	1/26/07	$ 0.05
Third quarter	4.85	3.65	3.86	9/18/06	10/26/06	0.14
Second quarter	5.56	3.80	4.00	6/15/06	7/26/06	0.14
First quarter	6.88	4.15	5.40	3/6/06	4/26/06	0.14

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

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

During 2006, taxable dividend distributions for the Company's common stock were $0.63 per share. The Company's common stock is currently listed under the CUSIP #649604-10-5 and trades under the NYSE ticker symbol NTR. For tax reporting purposes, the 2006 taxable dividend distributions will be classified as follows: $0.02401 as ordinary income and $0.60599 as a return of capital. The following table contains this information on a quarterly basis.

Declaration Date	Record Date	Payment Date	Cash Distribution per share	Income Dividends	Short-term Capital Gain	Total Taxable Ordinary	Return of Capital

								Dividend
12/09/05	1/6/06	1/26/06	$	0.21	$ 0.00000	$ 0.00000	$ 0.00000	$ 0.21000
3/6/06	4/6/06	4/26/06	$	0.14	$ 0.00000	$ 0.00000	$ 0.00000	$ 0.14000
6/15/06	7/6/06	7/26/06	$	0.14	$ 0.00000	$ 0.02401	$ 0.02401	$ 0.11599
9/18/06	10/6/06	10/26/06	$	0.14	$ 0.00000	$ 0.00000	$ 0.00000	$ 0.14000
Total 2006 Cash Distributions			$	0.63	$ 0.00000	$ 0.02401	$ 0.02401	$ 0.60599

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During the year ended December 31, 2006 the Company purchased and retired a total of 67,000 shares of its common stock in open market transactions as part of the share repurchase program announced on November 10, 2005.

The shares were repurchased though a broker on the open-market. The plan, funded from available capital, provides that the Company, at management's discretion, is authorized to repurchase shares of Company common stock from time to time, in the open market or through privately negotiated transactions through December 31, 2015. The plan may be temporarily or permanently suspended or discontinued at any time. The Company has not repurchased any shares since March 2006.

Period	Total Number of Shares Purchased as Part of Publicly Announced Plan		Average Price Paid Per Share	Maximum Number of Shares that May yet be Purchased Under Plan
1/1/06 to 1/31/06	¾		¾	10,000,000
2/1/06 to 2/28/06	¾		¾	10,000,000
3/1/06 to 3/31/06	67,000	$	4.43	9,933,000
Total/Weighted Avg.	67,000	$	4.43	9,933,000

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 31, 2006 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	466,500	$	9.52	878,496

Performance Graph

The foregoing graph and chart 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 of 1933 or under the Securities Exchange Act of 1934, except to the extent we specifically incorporate this information by reference, and shall not otherwise be deemed filed under those acts.

Item 6. ***SELECTED FINANCIAL DATA***

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

In connection with the sale of the Company's wholesale mortgage origination platform assets on February 22, 2007 and the sale of its retail mortgage origination platform assets on March 31, 2007, we are required to classify our Mortgage Lending segment as a discontinued operation in accordance with Statement of Financial Accounting Standards No. 144 (see note 12 in the notes to our consolidated financial statements). In connection with this reclassification, we have presented selected financial data below in two different formats. Table 1 provides summary level data for the continuing and discontinued business segments of our company (after giving effect to the reclassification of the Mortgage Lending segment). Table 2 provides selected financial data in greater detail in a form of presentation that is consistent with our prior disclosures under this Item 6.

The selected financial data as of and for the years ended December 31, 2006, December 31, 2005 and December 31, 2004, include the operations of NYMT and its consolidated subsidiaries. Included in the selected financial data for the year ended December 31, 2004 are the results of NYMT for the period beginning June 29, 2004 (the closing date of our IPO) and NYMC for the year-to-date period beginning January 1, 2004. Prior to our IPO, NYMT had no operations and, as a result, for all years prior to 2004, the financial data presented is for NYMC only.

Table 1:

	For the Year Ended December 31,				
	2006	2005	2004	2003	2002
	(Dollar amounts in thousands, except per share data)				
Operating Data:					
Revenues:					
Net interest income	$ 4,784	$ 12,873	$ 7,924	$ —	$ —
Income from continuing operations	2,166	3,322	6,899	—	—
(Loss)/income from discontinued operation-net of tax	(17,197)	(8,662)	(1,952)	13,726	3,750
Net (loss)/income	(15,031)	(5,340)	4,947	13,726	3,750
Basic (loss)/income per share EPS	(0.83)	(0.30)	0.28	—	—
Total assets continuing operations	1,107,983	1,542,422	1,413,729	—	—
Total assets discontinued operation	214,925	248,871	201,034	110,081	83,004
Total liabilities continuing operations	1,063,349	1,458,410	1,306,185	—	—
Total liabilities discontinued operation	$ 187,987	$ 231,925	$ 189,095	$ 90,425	$ 73,016

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Table 2:

	For the Year Ended December 31,				
	2006	2005	2004	2003	2002
	(Dollar amounts in thousands, except per share data)				
Operating Data:					
Revenues:					
Interest income	$ 81,247	$ 77,476	$ 27,299	$ 7,609	$ 2,986
Interest expense	72,940	60,104	16,013	3,266	1,673
Net Interest Income	8,307	17,372	11,286	4,343	1,313
Gains on sales of mortgage loans	17,987	26,783	20,835	23,031	9,858
Brokered loan fees	10,937	9,991	6,895	6,683	5,241
(Loss)/gain on sale of securities and related hedges	(529)	2,207	774	—	—
Loss on sale of current period securitized loans	(747)	—	—	—	—
Loan/impairment loss on investment securities	(8,285)	(7,440)	—	—	—
Miscellaneous	453	232	227	45	15
Total other income	19,816	31,773	28,731	29,759	15,114
Expenses:					
Salaries and benefits	22,425	30,979	17,118	9,247	5,788
Brokered loan expenses	8,277	7,543	5,276	3,734	2,992
General and administrative expenses	20,946	24,512	13,935	7,395	3,897
Total expenses	51,648	63,034	36,329	20,376	12,677
(Loss)/income before income tax benefit	(23,525)	(13,889)	3,688	13,726	3,750
Income tax benefit	8,494	8,549	1,259	—	—
Net (loss)/income	$ (15,031)	$ (5,340)	$ 4,947	$ 13,726	$ 3,750
Basic (loss)/income per share	$ (0.83)	$ (0.30)	$ 0.28	—	—
Diluted (loss)/income per share	$ (0.83)	$ (0.30)	$ 0.27	—	—
Balance Sheet Data:					
Cash and cash equivalents	$ 969	$ 9,056	$ 7,613	$ 4,047	$ 2,746
Mortgage loans held in securitization trusts or held for investment	588,160	780,670	190,153	—	—
Investment securities available for sale	488,962	716,482	1,204,745	—	—
Mortgage loans held for sale	106,900	108,271	85,385	36,169	34,039
Due from loan purchasers and escrow deposits pending loan closings	88,351	123,247	96,140	58,862	40,621
Total assets	1,322,908	1,791,293	1,614,762	110,081	83,004
Financing arrangements	988,285	1,391,685	1,470,596	90,425	73,016
Collateralized debt obligations	197,447	228,226	—	—	—
Subordinated debentures	45,000	45,000	—	—	—

Subordinated notes due to members	—	—	—	14,707	—
Total liabilities	1,251,336	1,690,335	1,495,280	110,555	76,504
Equity/(deficit)	$ 71,572	$ 100,958	$ 119,482	$ (474)	$ 6,500
Investment Portfolio Data:					
Average yield on investment portfolio	5.10%	4.05%	3.90%	—	—
Net duration of interest earning assets to liabilities	0.52 yrs	0.91 yrs	0.42 yrs	—	—
Originations Data:					
Purchase originations	$ 1,483,966	$ 1,985,651	$ 1,089,499	$ 803,446	$ 469,404
Refinancing originations	1,060,037	1,451,720	756,006	796,879	407,827
Total originations	$ 2,544,003	$ 3,437,371	$ 1,845,505	$ 1,600,325	$ 877,231
Fixed-rate originations	$ 1,441,782	$ 1,562,151	$ 878,749	$ 890,172	$ 518,382
Adjustable-rate originations	1,102,221	1,875,220	966,756	710,153	358,849
Total originations	$ 2,544,003	$ 3,437,371	$ 1,845,505	$ 1,600,325	$ 877,231
Total mortgage sales	$ 1,841,012	$ 2,875,288	$ 1,435,340	$ 1,234,848	$ 633,223
Brokered originations	702,991	562,083	410,165	365,477	244,008
Total originations	$ 2,544,003	$ 3,437,371	$ 1,845,505	$ 1,600,325	$ 877,231
Originated Mortgage Loans Retained for Investment:					
Par amount	$ 69.7	$ 555.2	$ 95.1	n/a	n/a
Weighted average middle credit score	738	734	743	n/a	n/a
Weighted average LTV	68.02%	69.62%	66.58%	n/a	n/a
Mortgage Loans Sold:					
Weighted average whole loan sales price over par - all mortgage loans sold	1.45%	1.52%	2.02%	1.75%	1.52%
Weighted average middle credit score all mortgage loans sold	707	696	703	719	716
Weighted average LTV non-FHA(1)	73.88%	74.58%	71.95%	68.47%	67.23%
Weighted average LTV FHA(1)	93.81%	92.76%	92.12%	88.82%	91.78%
Weighted average LTV all mortgage loans sold	74.53%	76.65%	75.88%	68.67%	67.42%
Operational/Performance Data:					
Salaries, general and administrative expense as a percentage of total loans originated	1.70%	1.61%	1.68%	1.04%	1.10%
Number of states licensed in or exempt from licensing at period end	44	43	40	15	13
Number of locations at period end	47	54	66	15	13
Number of employees at period end	616	802	782	335	184
Dividends declared per common share	$ 0.47	$ 0.92	$ 0.40	—	—

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

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

General

New York Mortgage Trust, Inc. ("NYMT," the "Company," "we," "our" and "us") is a self-advised residential mortgage financ company that acquires, retains and securitizes mortgage loans and mortgage-backed securities. Until March 31, 2007, the Company through its wholly-owned subsidiary, its taxable REIT subsidiary ("TRS"), The New York Mortgage Company, LLC ("NYMC"), was a residential mortgage banking company that originated a wide range of mortgage loans, with a particular focus on prime adjustable- and fixed-rate, first lien, residential purchase mortgage loans. The discontinued operation also originated residential mortgage loans as a broker for the purpose of obtaining broker fee income.

Recent Events - Sale of Mortgage Lending Business and Change in Our Business Strategy

On February 7, 2007, we announced that, as a part of our previously announced exploration of strategic alternatives for the Company, we had entered into a definitive agreement to sell substantially all of the retail mortgage lending platform of NYMC to IndyMac Bank, F.S.B., ("Indymac"), a wholly owned subsidiary of Indymac Bancorp, Inc, for an estimated purchase price of $13.5 million in cash and the assumption of certain of our liabilities by Indymac. On March 31, 2007, Indymac purchased substantially all of the operating assets related to NYMC's retail mortgage lending platform, including, among other things, assuming leases held by NYMC for approximately 20 full service and approximately 10 satellite retail mortgage lending offices (excluding the lease for the Company's corporate headquarters, which is being assigned, as previously announced, under a separate agreement to Lehman Brothers Holding, Inc.), the tangible personal property located in those approximately 30 retail mortgage banking offices, NYMC's pipeline of residential mortgage loan applications (the "Pipeline Loans"), escrowed deposits related to the Pipeline Loans, customer lists and intellectual property and information technology systems used by NYMC in the conduct of its retail mortgage banking platform. Indymac assumed the obligations of NYMC under the Pipeline Loans and substantially all of NYMC's liabilities under the purchased contracts and purchased assets arising after the closing date. Indymac has also agreed to pay (i) the first $500,000 in severance expenses with respect to "transferred employees" (as defined in the asset purchase agreement filed as Exhibit 10.62 to this Annual Report on Form 10-K) and (ii) severance expenses in excess of $1.1 million arising after the closing with respect to transferred employees. As part of the Indymac transaction, the Company has agreed, for a period of 18 months, not to compete with Indymac other than in the purchase, sale, or retention of mortgage loans. Indymac has hired substantially all of our branch employees and loan officers and a majority of NYMC employees based out of our corporate headquarters. As of April 1, 2007, the Company has approximately 40 employees.

On February 14, 2007, we entered into a definitive agreement with Tribeca Lending Corp., a subsidiary of Franklin Credit Management Corporation ("Tribeca Lending") to sell our wholesale lending business for an estimated purchase price of $485,000. This transaction closed on February 22, 2007. Together, the closing of the sale of our retail mortgage banking platform to Indymac and the sale of our wholesale lending business to Tribeca Lending has resulted in gross proceeds to NYMT of approximately $14.0 million before fees and expenses, and before deduction of approximately $2.3 million, which will be held in escrow to support warranties and indemnifications provided to Indymac by NYMC as well as other purchase price adjustments. NYMC will record a one time taxable gain on the sale of these assets. NYMC's deferred tax asset will absorb any taxable gain from the sale.

We expect to redeploy the net proceeds from the sale of our retail mortgage banking platform in high quality mortgage loan securities. We will liquidate the remaining inventory of loans held for sale in the ordinary course of business. Our Board of Directors, together with our management, will continue to consider strategic options for NYMT, including a possible sale or merger or raising capital under a passive REIT business model.

We believe that the disposition of our mortgage lending business will allow us to meet the following business objectives:

- reduce, and ultimately eliminate, our taxable REIT subsidiary's operating loses;
- enable NYMC to retain the economic value of its accumulated net operating losses;
- increase NYMT's investable capital and financial flexibility;
- lower NYMT's executive management compensation expenses;
- significantly reduce our potential severance obligations;

- enable our management to focus on our mortgage portfolio management operations, which consisted of a $1.1 billion portfolio of investment securities as of December 31, 2006; and
- enable us to continue to acquire loans for securitization.

Note Regarding Discontinued Operation

In connection with the sale of our wholesale mortgage lending platform assets on February 22, 2007 and the sale of our retail mortgage lending platform assets to Indymac on March 31, 2007, during the fourth quarter of 2006, we classified our Mortgage Lending segment as a discontinued operation in accordance with the provisions of Statement of Financial Accounting Standards No. 144. As a result, we have reported revenues and expenses related to the segment as a discontinued operation and the related assets and liabilities as assets and liabilities related to a discontinued operation for all periods presented in the accompanying consolidated financial statements. Certain assets, such as the deferred tax asset, and certain liabilities, such as subordinated debt and liabilities related to leased facilities not assigned to Indymac will become part of the ongoing operations of NYMT and accordingly, we have not classified as a discontinued operation in accordance with the provisions of Statement of Financial Accounting Standards No. 144. See note 12 in the notes to our consolidated financial statements.

Strategic Overview

Our operations were conducted in 2006 such that we are considered an “active” mortgage REIT in that NYMC, our TRS, originated loans that may either be held in portfolio, aggregated and subsequently securitized for long-term investment, or sold to third parties for gain on sale revenue. The leveraged portfolio is comprised largely of prime adjustable-rate mortgage loans that we either originate or acquire from third parties. Starting in March of 2006, we began to sell all loans originated by NYMC in an effort to increase gain on sale income in current periods. On March 31, 2007, we concluded the sale of substantialy all of the operating assets of NYMC's retail mortgage lending platform and exited the mortgage lending business.

We aggregate a portfolio comprised mainly of high credit quality, adjustable-rate mortgage loans until the portfolio reaches a size sufficient for us to securitize such loans. Historically, we obtained the loans we securitize from either our TRS or from third parties. As of April 1, 2007, we obtain the loans we securitize exclusively from third parties. Our first securitization occurred on February 25, 2005 and we completed our second and third loan securitizations on July 28, 2005 and December 20, 2005, respectively. These securitization transactions, through which we financed the adjustable-rate and hybrid mortgage loans that we retained, were structured as financings for both tax and financial accounting purposes. Therefore, we do not expect to generate a gain or loss on sales from these activities, and, following the securitizations, the loans are classified on our consolidated balance sheet as loans held in securitization trusts. For our first two securitizations, we retained all of the resultant securities and financed such securities with repurchase agreements; for our third securitization we issued investment grade securities to third parties and recorded the securitization debt is recorded as a liability. On March 30, 2006 we completed our fourth securitization, New York Mortgage Trust 2006-1. This securitization was structured as a sale for accounting purposes. The Company holds certain AAA tranches as well as all the subordinate interests in this transaction.

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

Funding Diversification. We strive to maintain and achieve a balanced and diverse funding mix to finance our investment portfolio and assets. Until March 31, 2007 when we exited the mortgage lending business, we relied primarily on secured warehouse lines of credit for our funding needs on loans held for sale to third parties. Since our IPO in June 2004, we rely primarily on repurchase agreements in order to finance our investment portfolio of residential loans and mortgage-backed securities. As of December 31, 2006, we have $5.1 billion of commitments to provide repurchase agreement financing through 23 different counterparties with approximately $0.8 billion outstanding as of December 31, 2006. During 2005, we further diversified our sources of financing with the issuance of $45 million of trust preferred securities classified as subordinated debentures.

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

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

Investment Portfolio Credit Quality. We retain in our portfolio only selected, high-quality loans that we originated or may acquire from third parties. As a result, our investment portfolio consists of high-quality loans that we have either securitized for our own portfolio or that collateralize our CDO financings. High credit quality creates improved portfolio liquidity and provides for financing opportunities that are available on generally favorable terms. When we retain loans for investment, either whole loans being aggregated for securitization or CDOs in which we retain all resultant securities or below A-rated tranches, we retain the risk of potential credit losses relative to the agency or higher rated securities we may purchase from time-to-time. Since we began our portfolio investment operations, we have experienced approximately $57,000 to date of credit losses in our portfolio.

We believe that our credit performance is reflective of the high credit quality of the loans we originated or acquire for securitization, our prudent in-house underwriting, property valuation methods and review, our overall investment policies and prudent management of our delinquent loan portfolio. We believe that our delinquencies of $6.8 million, or 1.16% of the total par balance of our investment portfolio of residential loans at December 31, 2006, reflect strong credit characteristics and the credit culture of our underwriting and investment philosophy. The weighted average seasoning of loans in our investment portfolio of mortgage loans was approximately 19 months at December 31, 2006.

Interest Rate Risk Management. Another primary risk to our investment portfolio of mortgage loans and mortgage-backed securities is interest rate risk. We use hedging instruments to fix or cap the interest rates on our short-term, CDO and other financing arrangements that finance our investment portfolio of mortgage loans and securities. We hedge our financing costs in an attempt to maintain a net duration gap of less than one year; as of December 31, 2006, our net duration gap was approximately 6 months.

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

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

- a decline in the market value of our assets due to rising interest rates;
- increasing or decreasing levels of prepayments on the mortgages underlying our mortgage-backed securities;
- our ability to obtain financing to hold mortgage loans prior to their sale or securitization;
- the overall leverage of our portfolio and the ability to obtain financing to leverage our equity;

- the potential for increased borrowing costs and its impact on net income;
- the concentration of our mortgage loans in specific geographic regions;
- our ability to use hedging instruments to mitigate our interest rate and prepayment risks;
- a prolonged economic slow down, a lengthy or severe recession or declining real estate values could harm our operations;
- if our assets are insufficient to meet the collateral requirements of our lenders, we might be compelled to liquidate particular assets at inopportune times and at disadvantageous prices;
- if we are disqualified as a REIT, we will be subject to tax as a regular corporation and face substantial tax liability; and
- compliance with REIT requirements might cause us to forgo otherwise attractive opportunities.

Financial Overview

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

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

Other Income (Expense). Loan losses include reserves for, or actual costs incurred with respect to, the disposition of non-performing or early payment default loans we have originated or purchased from third parties.

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

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

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

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

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

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

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

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

Loss from discontinued operation: Loss from discontinued operation includes all revenues and expenses related to our mortgage lending segment excluding those costs that will be retained by the ongoing Company. Primarily, expenses related rent expense for locations not being purchased and certain allocated payroll expenses for employees remaining with the Company.

Description of Business

Mortgage Lending (Discontinued Operation)

Until March 31, 2007, our mortgage lending operation contributed to our financial results as it either produced the loans that ultimately collateralized the mortgage securities that we hold in our portfolio or it provided us the flexibility to sell the loans for gain on sale revenue. We primarily originated prime, first-lien, residential mortgage loans and, to a lesser extent, second lien mortgage loans, home equity lines of credit, and bridge loans. We originated a wide range of mortgage loan products including adjustable-rate mortgage ("ARM") loans which may have an initial fixed rate period, and fixed-rate mortgages. Historically, we sold or retained and aggregated our self-originated, high-quality, shorter-term ARM loans in order to pool them into mortgage securities. Due to market conditions, starting in March, 2006, NYMC increased the number of loans originated by it that it would sell to third parties for gain on sale revenue rather than aggregating lower cost assets. For the years ended December 31, 2006 and 2005, we originated $2.5 billion and $2.9 billion in mortgage loans for sale to third parties, respectively. We recognized gains on sales of mortgage loans totaling $18.0 million and $26.8 million for the years ended December 31, 2006 and 2005, respectively.

Subsequent to our IPO in June 2004, we have sold or retained for our portfolio the high quality, adjustable-rate mortgage loans that we originated. For the years ended December 31, 2006 and 2005, we originated and retained $69.7 million and $555.2 million of such loans, respectively. When we retain mortgage loans that we originated, we record such assets at historical cost in accordance with GAAP ("GAAP" means generally accepted accounting principles). The cost of each loan is then amortized on the effective interest method over the estimated lives of the retained loans. Furthermore, when we retain loans that we originated, we are not able to recognize a gain on sale of these loans (and thus higher GAAP net income) as we would have if such loans were sold to third parties. Instead, the value of the gain on sale revenue inures to the benefit of our investment portfolio in the form of a lower cost asset and thus incrementally higher yield during the lives of retained loans. We estimate that the foregone premium we would have otherwise received had retained loans been sold to third parties is approximately $0.4 million and $7.5 million for the years ended December 31, 2006 and 2005, respectively. On March 31, 2007, the Company sold substantially all of the operating assets of the mortgage lending business to Indymac and exited the mortgage lending business.

Our wholesale lending strategy has been a small component of our loan origination operations. We have a network of non-affiliated wholesale loan brokers and mortgage lenders who submit loans to us. We maintain relationships with these wholesale brokers and, as with retail loan originations, will underwrite, process, and fund wholesale loans through our centralized facilities and processing systems. On February 22, 2007, we sold all of the assets of our wholesale operations to Tribeca Lending. We also sold broker loans to third party mortgage lenders for which we receive a broker fee. For the years ended December 31, 2006 and 2005, we originated $703.0 million and $562.1 million in brokered loans, respectively. We recognized net brokering income totaling $2.7 million and $2.4 million during the years ended December 31, 2006 and 2005, respectively.

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

Mortgage Portfolio Management

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

- invest in mortgage-backed securities originated by others, including ARM securities and collateralized mortgage obligation floaters (“CMO Floaters”);
- generally operate as a long-term portfolio investor;
- finance our portfolio by entering into repurchase agreements, warehouse facilities for loan aggregation or issue collateral debt obligations relating to our securitizations; and
- generate earnings from the return on our mortgage securities and spread income from our mortgage loan portfolio.

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

As of December 31, 2006, our mortgage securities portfolio consisted of 98% AAA- rated or Fannie Mae, Freddie Mac or Ginnie Mae-guaranteed (“FNMA/FHLMC/GNMA”) mortgage securities as compared to financing rates or lower rated securities. The loans held in securitization trusts and mortgage loans held for investment consisted of high-credit quality prime adjustable rate mortgages with initial reset periods of no greater than five years or less. Our portfolio strategy for ARM loan originations is to acquire high-credit quality ARM loans for our securitization process thereby limiting future potential losses.

Such assets are evaluated for impairment on a quarterly basis or, if events or changes in circumstances indicate that these assets or the underlying collateral may be impaired, on a more frequent basis. We evaluate whether these assets are considered impaired, whether the impairment is other-than-temporary and, if the impairment is other-than-temporary, recognize an impairment loss equal to the difference between the asset’s amortized cost basis and its fair value. We recorded an impairment loss of $7.4 million in the fourth quarter of 2005 because we concluded that we no longer had the intent to hold certain lower-yielding mortgage-backed securities until their values recovered. This impairment was not due to any underlying credit issues but was related to our intent to no longer hold identified lower-yield securities and to re-position our portfolio by selling such securities and replacing them with higher yield securities with similar credit characteristics in order to earn higher net interest spread in the future. The securities were disposed of during the first quarter of 2006 resulting in an additional loss of $1.0 million.

Known Material Trends and Commentary

For the year ended December 31, 2006, our originations of residential mortgage loans totaled $2.5 billion. The following chart summarizes the our loan origination volume and characteristics for each of the four quarters of 2006 relative to our 2005 historical origination production:

For the year ended December 31, 2006, NYMC’s total loan originations decreased to $2.5 billion from $3.4 billion in 2005, a decrease of 26%. This compares to total originations for the industry as a whole of $2.5 trillion in 2006 versus $3.0 trillion in 2005, a decrease of 17%, as reported by the MBA’s Mortgage Finance Forecast. The reason for this larger than industry decrease is primarily due to a meaningful number of our seasoned loan officers being recruited and hired by other large lenders in the first half of 2006.

In the February 12, 2007 forecast, the MBA projects that mortgage loan volumes will decrease to $2.4 trillion in 2007 from $2.5 trillion in 2006, primarily due to an expected continued decline in the volume of loan refinancings. We believe that the market for mortgage loans for home purchases is less susceptible than the refinance market to downturns during periods of increasing interest rates, because borrowers seeking to purchase a home do not generally base their decision to purchase on changes in interest rates alone, while borrowers that refinance their mortgage loans often make their decision as a direct result of changes in interest rates. Consequently, we are hopeful that our referral-based marketing strategy and a concentration on purchase loan originations will help mitigate further origination decreases relative to the industry.

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

Results of Operations. We expect that our revenues will derive primarily from the difference between the interest income we earn on our mortgage assets and the costs of our borrowings (net of hedging expenses). We expect that our operating expenses will reduce in the future due to the elimination of compensation expense attributable to our mortgage origination platform. The sale of each of our retail and wholesale mortgage banking platforms, has resulted in gross proceeds to NYMT of approximately $14.0 million before fees and expenses, and before deduction of approximately $2.3 million, which will be held in escrow to support warranties and indemnifications provided to Indymac by NYMC as well as other purchase price adjustments. NYMC expects to record a one time taxable gain on the sale of its assets to Indymac. NYMC’s deferred tax asset will absorb any taxable gain from sale.

Liquidity. We depend on the capital markets to finance our investments in mortgage-backed securities and mortgage loans held for sale. We finance our mortgage loans held for sale using “warehouse” facilities provided by commercial or investment banks. As it relates to our investment portfolio, we have either issued bonds from our loan securitizations and will either own such bonds or sell them to institutional investors via intermediaries, or use repurchase agreements for short term financing. The provider of our warehouse facilities are well capitalized investment or commercial banks. Commercial and investment banks have provided significant liquidity to finance our operations, and while management cannot predict the future liquidity environment, we are currently unaware of any material reason to prevent continued liquidity support in the capital markets for our business. See “Liquidity and Capital Resources” below for further discussion of liquidity risks and resources available to us.

Loan Loss Reserves on Mortgage Loans. Currently, conditions in the mortgage market remain challenging due a significant increase in demands for indemnification and loan repurchases form third party loan investors. A large portion of these demands come as a result of borrowers failing to timely make their first three to six mortgage loan payments, commonly known as early payment defaults (“EPDs”). This is evident throughout the mortgage industry as many local, regional and national mortgage lenders have announced plans to exit the mortgage lending business in part or in whole. Many of these announcements come as a result of liquidity problems caused by a significant increase in repurchase demands due to EPDs.

With respect to the loans originated by our discontinued operations, in 2006, we repurchased a total of $28.9 million of mortgage loans that were originated in both 2005 and 2006, the majority of which were due to EPDs. Of the repurchased loans originated in 2006, most were Alternative-A (“Alt-A”), as sub-prime comprised only approximately 10% of our 2006 originations. In 2006, the percentage of Alt-A loans we originated was approximately 26%.

Generally, under the terms of the agreements with the investors to whom we sell our loans, we are required to repurchase loans if the borrower misses one of his or her first three payments. The increased use of limited documentation underwriting associated with Alt-A loans, as offered by many investor programs under which we originate loans, in concert with reduced amounts of down payments required under many of those same programs, have made it easier for many borrowers to obtain mortgage financing.

As with any mortgage loan asset in either NYMT or NYMC, we have policies and procedures in place to determine the appropriate levels of reserves relative to non-performing assets or losses associated with indemnifications or repurchase demands. Our approach looks at individual loans for which we have received indemnification or repurchase demands, rather than using a model based macro approach based on historic performance. Note however that in volatile times such as these, a historical based approach would not likely result in adequate reserves. And while we feel that we are using a prudent approach to reserving for EPDs and non-performing loans, no assurance can be made as to the adequacies of those reserves.

In determining reserves we generally rely on management’s judgment and estimates of credit losses inherent in each individual non-performing loan held for sale and each mortgage loan held in securitization trusts. Estimation involves the consideration of various credit-related factors including but not limited to, the current housing market conditions, loan-to-value ratios, delinquency status, historical credit loss severity rates, purchased mortgage insurance, the borrower’s credit and other factors deemed to warrant consideration. Additionally, we look at the balance of any delinquent loan and compare that to the value of the property. As many of the loans involved in current reserve process were funded in the past six to twelve months, we typically rely on the original appraised value of the property, unless there is evidence that the original appraisal should not be relied upon. If there is a doubt to the objectivity of the original property value assessment, we either utilize various internet based property data services to look at comparable properties in the same area, or consult with a realtor in the property’s area.

Comparing the current loan balance to the original property value determines the current loan-to-value (“LTV”) ratio of the loan. Generally we estimate that any first lien loan that goes through a foreclosure process and results in Real Estate Owned (“REO”) results is the property being disposed of at approximately 68% of the property’s original value. That number is based on management’s long term experience in similar market conditions in past difficult real estate markets. Thus, for a first lien loan that is delinquent, we will adjust the property value down to approximately 68% of the original and compare that to the current balance of the loan. The difference, plus an estimate of past interest due, determines the base reserve taken for that loan. This base reserve for a particular loan may be adjusted if we are aware of specific circumstances that may affect the outcome of the loss mitigation process for that loan. Predominately, however, we use the base reserve number for our reserve.

Reserves for second liens are larger than that for first liens as second liens are in a junior position and only receive proceeds after the claims of the first lien holder are satisfied. As with first liens, we may occasionally alter the base reserve calculation but that is in a minority of the cases and only if we are aware of specific circumstances that pertain to that specific loan.

While we feel these policies are prudent, we can make no assurance that this policy will be adequate to cover future losses.

Significance of Estimates and Critical Accounting Policies

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

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

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

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

Impairment of and Basis Adjustments on Securitized Financial Assets. As previously described herein, we regularly securitize our mortgage loans and retain the beneficial interests created. Such assets are evaluated for impairment on a quarterly basis or, if events or changes in circumstances indicate that these assets or the underlying collateral may be impaired, on a more frequent basis. We evaluate whether these assets are considered impaired, whether the impairment is other-than-temporary and, if the impairment is other-than-temporary, recognize an impairment loss equal to the difference between the asset's amortized cost basis and its fair value. These evaluations require management to make estimates and judgments based on changes in market interest rates, credit ratings, credit and delinquency data and other information to determine whether unrealized losses are reflective of credit deterioration and our ability and intent to hold the investment to maturity or recovery. This other-than-temporary impairment analysis requires significant management judgment and we deem this to be a critical accounting estimate. We recorded an impairment loss of $7.4 million during 2005, because we concluded that we no longer had the intent to hold certain lower-yielding mortgage-backed securities until their values recovered. At December 31, 2006, we have an unrealized loss of $3.85 million on the remaining securities in our portfolio, which we do not consider to represent an other than temporary impairment.

Loan Loss Reserves on Mortgage Loans. We evaluate a reserve for loan losses based on management's judgment and estimate of credit losses inherent in our portfolio of residential mortgage loans held for sale and mortgage loans held in securitization trusts. The estimation involves the consideration of various credit-related factors including loans held for investment, but not limited to, current economic conditions, loan-to-value ratios, delinquency status, historical credit losses, purchased mortgage insurance and other factors deemed to warrant consideration. If the credit performance of any of our mortgage loans deviates from expectations, the allowance for loan losses is adjusted to a level deemed appropriate by management to provide for estimated probable losses in the portfolio. One of the critical assumptions used in estimating the loan loss reserve is severity. Severity represents the expected rate of realized loss upon disposition/resolution of the collateral that has gone into foreclosure.

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

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

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

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

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

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

New Accounting Pronouncements - In February 2007, the FASB issued SFAS No. 159, *“The Fair Value Option for Financial Assets and Financial Liabilities”* (“SFAS No. 159”), which provides companies with an option to report selected financial assets and liabilities at fair value. The objective of SFAS No. 159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS No. 159 establishes presentation and disclosure requirements and requires companies to provide additional information that will help investors and other users of financial statements to more easily understand the effect of the company's choice to use fair value on its earnings. SFAS No. 159 also requires entities to display the fair value of those assets and liabilities for which the company has chosen to use fair value on the face of the balance sheet. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and early adoption is permitted for fiscal years beginning on or before November 15, 2007 provided that the entity makes that choice in the first 120 days of the fiscal year, has not issued financial statements for any interim period of the fiscal year of adoption and also elects to apply the provisions of SFAS No. 157. The Company is in the process of analyzing the impact of SFAS No. 159 on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements” (“SFAS No.157”). SFAS No.157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No.157 will be applied under other accounting principles that require or permit fair value measurements, as this is a relevant measurement attribute. This statement does not require any new fair value measurements. We will adopt the provisions of SFAS No.157 beginning January 1, 2008. We are currently evaluating the impact of this statement on our consolidated financial statements.

In September 2006, the SEC issued SAB No. 108, *“Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statement”* (“SAB 108”), on quantifying financial statement misstatements. In summary, SAB 108 was issued to address the diversity in practice of evaluating and quantifying financial statement misstatements and the related accumulation of such misstatements. SAB 108 states that both a balance sheet approach and an income statement approach should be used when quantifying and evaluating the materiality of a potential misstatement and contains guidance for correcting errors under this dual perspective. SAB 108 is effective for financial statements issued for fiscal years ending after November 15, 2006. The adoption of SAB 108 did not have a material effect on the Company's consolidated financial statements.

In June 2006, FASB issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109” (“FIN 48”). This interpretation increases the relevancy and comparability of financial reporting by clarifying the way companies account for uncertainty in income taxes. FIN 48 prescribes a consistent recognition threshold and measurement attribute, as well as clear criteria for subsequently recognizing, derecognizing and measuring such tax positions for financial statement purposes. The interpretation also requires expanded disclosure with respect to the uncertainty in income taxes. FIN 48 is effective for us on January 1, 2007. The Company does not expect the adoption of FIN 48 to have a material effect on the Company’s consolidated financial statements.

In March 2006, the FASB issued SFAS No. 156, “Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140.” Effective at the beginning of the first quarter of 2006, the Company early adopted the newly issued statement and elected the fair value option to subsequently measure its mortgage servicing rights (“MSRs”). Under the fair value option, all changes in the fair value of MSRs are reported in the statement of operations. The initial implementation of SFAS 156 did not have a material impact on the Company’s financial statements.

In February 2006, the FASB issued SFAS No.155, “Accounting for Certain Hybrid Financial Instruments”. Key provisions of SFAS No.155 include: (1) a broad fair value measurement option for certain hybrid financial instruments that contain an embedded derivative that would otherwise require bifurcation; (2) clarification that only the simplest separations of interest payments and principal payments qualify for the exception afforded to interest-only strips and principal-only strips from derivative accounting under paragraph 14 of FAS No.133 (thereby narrowing such exception); (3) a requirement that beneficial interests in securitized financial assets be analyzed to determine whether they are freestanding derivatives or whether they are hybrid instruments that contain embedded derivatives requiring bifurcation; (4) clarification that concentrations of credit risk in the form of subordination are not embedded derivatives; and (5) elimination of the prohibition on a QSPE holding passive derivative financial instruments that pertain to beneficial interests that are or contain a derivative financial instrument. In general, these changes will reduce the operational complexity associated with bifurcating embedded derivatives, and increase the number of beneficial interests in securitization transactions, including interest-only strips and principal-only strips, required to be accounted for in accordance with FAS No.133. Management does not believe that SFAS No.155 will have a material effect on the Company's consolidated financial statements.

Overview of Performance

For the year ended December 31, 2006, we reported a net loss of $15.0 million, as compared to a net loss of $5.3 million for the year ended December 31, 2005. The increase in net loss is attributed to a decrease in gain on sale revenues and net interest income from our investment portfolio. Our revenues were driven largely from increases in interest income on investments in mortgage loans and mortgage securities (our "mortgage portfolio management" segment). In addition, the Company incurred a $8.3 million charge attributable to loan losses.

For the year ended December 31, 2006, total residential originations, including brokered loans, were $2.5 billion as compared to $3.4 billion and $1.8 billion for the same period of 2005 and 2004, respectively. The decrease in our loan origination levels for the year ended December 31, 2006 as compared to the same period of 2005 is the result of the loss of experienced loan officers to competitors as well as an overall market decline. Total employees decreased to 616 at December 31, 2006 from 802 at December 31, 2005; full-service loan origination locations decreased to 25 offices and 22 satellite loan origination locations at December 31, 2006 from 28 full service locations and 26 satellite loan origination locations at December 31, 2005.

Summary of Operations and Key Performance Measurements

For the year ended December 31, 2006, our net income was dependent upon our mortgage portfolio management operations and the net interest (interest income on portfolio assets net of the interest expense and hedging costs associated with the financing of such assets) generated from our portfolio of mortgage loans held for investment, mortgage loans held in the securitization trusts and residential mortgage-backed securities in our portfolio management segment. The following table presents the components of our net interest income from our investment portfolio of mortgage securities and loans for the year ended December 31, 2006:

	Amount	Average Outstanding Balance	Effective Rate
		(Dollars in Millions)	
Net Interest Income Components:			
Interest Income			
Investment securities and loans held in the securitization trusts	$ 66,973	$ 1,266.4	5.29%
Amortization of premium	(2,092)	5.9	(0.16)%
Total interest income	$ 64,881	$ 1,272.3	5.13%
Interest Expense			
Repurchase agreements	$ 62,437	$ 1,201.2	5.12%
Interest rate swaps and caps	(5,884)	—	(0.48)%
Total interest expense	$ 56,553	$ 1,201.2	4.64%
Net Interest Income	$ 8,328		0.49%

The key performance measures for our portfolio management activities are:

- net interest spread on the portfolio;
- characteristics of the investments and the underlying pool of mortgage loans including but not limited to credit quality, coupon and prepayment rates; and
- return on our mortgage asset investments and the related management of interest rate risk.

For the year ended December 31, 2006, our net income was also dependent upon our mortgage lending operations and originations from our mortgage lending segment, which include the mortgage loan sales (“mortgage banking”) and mortgage brokering activities on residential mortgages sold or brokered to third parties. Our mortgage banking activities generate revenues in the form of gains on sales of mortgage loans to third parties and ancillary fee income and interest income from borrowers. Our mortgage brokering operations generate brokering fee revenues from third party buyers. When we retain a portion of our loan originations for our investment portfolio, we do not realize the gain on sale premiums we would have otherwise recognized had these loans been sold to third parties and such loans retained on our balance sheet at cost. As a result, revenues in our mortgage banking segment are lower and the book value of these assets on our balance sheet, which are accounted for on a cost basis, will differ from their fair market value.

A breakdown of our loan originations for the year ended December 31, 2006 follows:

Description	**Number of Loans**	**Aggregate Principal Balance ($000’s)**	**Percentage of Total Principal**	**Weighted Average Interest Rate**	**Average Loan Size**
Purchase mortgages	6,485	$ 1,484.0	58.3%	7.15%	$ 228,831
Refinancings	3,837	1,060.0	41.7%	6.98%	276,267
Total	10,322	$ 2,544.0	100.0%	7.08%	246,464
Adjustable rate or hybrid	3,398	$ 1,102.2	43.3%	6.94%	324,373
Fixed rate	6,924	1,441.8	56.7%	7.18%	208,230
Total	10,322	$ 2,544.0	100.0%	7.08%	246,464
Banked	8,018	$ 1,841.0	72.4%	7.16%	229,610
Brokered	2,304	703.0	27.6%	6.86%	305,118
Total	10,322	$ 2,544.0	100.0%	7.08%	$ 246,464

The key performance measures for our origination activities are:

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

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

Year Ended December 31, 2006 Financial Highlights

- Net income for the Company's Mortgage Portfolio Management segment totaled $6.0 million for the year ended December 31, 2006.
- Consolidated net loss totaled $15.0 million for the year ended December 31, 2006.
- Discontinued operations net loss totaled $17.2 million net of tax for the year ended December 31, 2006.

Financial Condition

Balance Sheet Analysis - Asset Quality

Investment Portfolio Related Assets

Mortgage Loans Held in Securitization Trusts and Mortgage Loans Held for Investment. Included in our portfolio are adjustable-rate mortgage loans that we originated or purchased in bulk from third parties that meet our investment criteria and portfolio requirements. These loans are classified as "mortgage loans held for investment" during a period of aggregation and until the portfolio reaches a size sufficient for us to securitize such loans. If the securitization qualifies as a financing for SFAS No. 140 purposes the loans are classified as "mortgage loans held in securitization trusts."

The NYMT 2006-1 securitization qualifies as a sale under SFAS No. 140, which resulted in the recording of residual assets and mortgage servicing rights. The residual assets total $2.0 million and are included in investment securities available for sale (see note 2 in our consolidated financial statements).

There were no Mortgage Loans Held for Investment at December 31, 2006.

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

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

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

	Par Value	Coupon	Carrying Value	Yield
December 31, 2006	$ 584,358	5.56%	$ 588,160	5.56%
December 31, 2005	$ 771,451	5.17%	$ 776,610	5.49%

At December 31, 2006 mortgage loans held in securitization trusts totaled $588.2 million, or 45% of total assets. Of this mortgage loan investment portfolio 100% are traditional or hybrid ARMs and 75.9% are ARM loans that are interest only. On our hybrid ARMs, interest rate reset periods are predominately seven years or less and the interest-only/amortization period is typically 10 years, which mitigates the "payment shock" at the time of interest rate reset. No loans in our investment portfolio of mortgage loans are option-ARMs or ARMs with negative amortization.

Characteristics of Our Mortgage Loans Held in Securitization Trusts and Retained Interest in Securitization:

The following table sets forth the composition of our loans held for investment and in securitization trusts as of December 31, 2006 (dollar amounts in thousands):

	# of Loans	Par Value	Carrying Value
Loan Characteristics:			
Mortgage loans held in securitization trusts	1,259	$ 584,358	$ 588,160
Retained interest in securitization (included in Investment securities available for sale)	458	249,627	23,930
Total Loans Held	1,717	$ 833,985	$ 612,090

	Average	High	Low
General Loan Characteristics:			
Original Loan Balance	$ 501	$ 3,500	$ 25
Coupon Rate	5.67%	8.13%	3.88%
Gross Margin	2.36%	6.50%	1.13%
Lifetime Cap	11.14%	13.75%	9.00%
Original Term (Months)	360	360	360
Remaining Term (Months)	341	351	307

The following table sets forth the composition of our loans held for investment and in securitization trusts as of December 31, 2005 (dollar amounts in thousands):

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

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

	December 31, 2006 Percentage	December 31, 2005 Percentage
Arm Loan Type		
Traditional ARMs	2.9 %	4.7%
2/1 Hybrid ARMs	3.8%	5.3%
3/1 Hybrid ARMs	16.8%	32.4%
5/1 Hybrid ARMs	74.5%	57.3%
7/1 Hybrid ARMs	2.0%	0.3%
Total	100.0%	100.0%
Percent of ARM loans that are Interest Only	75.9%	74.9%
Weighted average length of interest only period	8.0 years	8.2 years

Traditional ARMs - Periodic Caps	December 31, 2006 Percentage	December 31, 2005 Percentage
None	61.9%	64.5%
1%	8.8%	19.4%
Over 1%	29.3%	16.1%
Total	100.0%	100.0%

Hybrid ARMs - Initial Cap	December 31, 2006 Percentage	December 31, 2005 Percentage
3.00% or less	14.8%	29.6%
3.01%-4.00%	7.5%	10.7%
4.01%-5.00%	76.6%	58.2%
5.01%-6.00%	1.1%	1.5%
Total	100.0%	100.0%

FICO Scores	December 31, 2006 Percentage	December 31, 2005 Percentage
650 or less	3.8%	5.0%
651 to 700	16.9%	18.0%
701 to 750	34.0%	35.4%
751 to 800	41.5%	38.2%
801 and over	3.8%	3.4%
Total	100.0%	100.0%
Average FICO Score	737	733

Loan to Value (LTV)	December 31, 2006 Percentage	December 31, 2005 Percentage
50% or less	9.8%	9.5%
50.01%-60.00%	8.8%	9.4%
60.01%-70.00%	28.1	